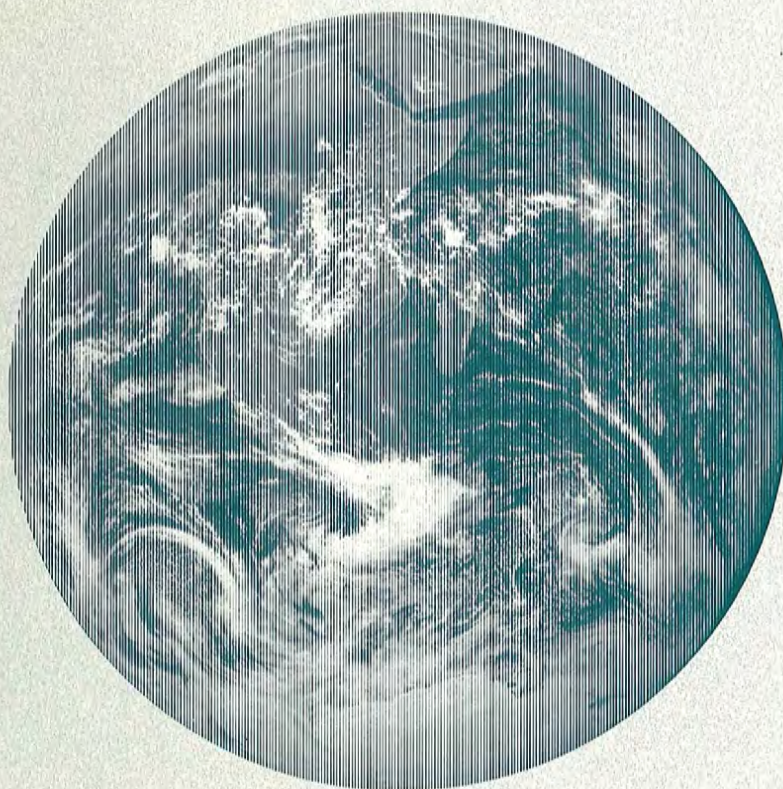


Challenges and Priorities in the 1990s

An Alternative U.S. International
Affairs Budget, FY 1993

John W. Sewell,
Peter M. Storm, and
Contributors



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ERRATA

On page 8, the first sentence of the second paragraph should read:

"The Alternative Budget stays within the ceilings set by the Budget Enforcement Act of 1990 ("The Budget Summit Agreement") and is lower than the President's FY1993 budget (\$20.9 billion compared with \$22.1 billion)."

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Overseas Development Council
Washington, DC

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In the end, of course, the content of this report is solely the responsibility of the authors. It does not necessarily represent the views of those with whom we consulted, or of the Overseas Development Council as an organization, the individual members of the Board, Council, or other staff members.

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Alternative Budget in Brief

American Interests in a Changing World

The United States has an unprecedented opportunity in the next few years to exercise global leadership in shaping the post-Cold War world and simultaneously to address pressing, previously neglected challenges. In the past decade, the preoccupation with confronting communism abroad was paralleled by a neglect of problems at home. Although domestic issues now deserve priority, the United States cannot ignore the world beyond its shores, which in many cases has a growing impact on U.S. problems. The challenge for U.S. policymakers is to forge a foreign policy that seizes the opportunity to make the United States stronger at home and abroad.

U.S. INTERESTS AND DEVELOPING COUNTRIES

Recent rapid and dramatic changes in Eastern Europe and the Commonwealth of Independent States (CIS) have grabbed the world's attention, but the developing countries are as important, if not more so, to the future well-being and prosperity of the United States. Many issues about which Americans are most concerned—unemployment, trade deficits, energy dependence, environmental degradation, drugs, illegal immigration, AIDS—are

global in nature and can only be effectively addressed with the cooperation of developing countries.

The United States also has a long-term interest in helping to build a world with greater human dignity, well-being, and freedom. The current international political context, free of conflict between competing ideological systems, offers an opportunity to promote American democratic and humanitarian ideals. To be credible, however, the United States must help address the urgent problems that face the developing countries, many of which have implications for the United States as well. These include reducing poverty, improving health, reducing population growth, ending military conflicts, assisting refugees, and promoting democracy.

Since a government's primary responsibility is to its own people, the United States first must boldly address the challenges within its own borders. Yet the traditional dichotomy between "domestic" and "international" issues increasingly is an anachronism; *global action is needed to successfully address so-called domestic concerns as well as to advance long-term U.S. interests in building a better world and promoting American humanitarian ideals.*

Alternative Budget

The Alternative International Affairs Budget recasts the budget accounts in terms of U.S. foreign policy objectives appropriate to today's changed realities. These include promoting an open world economy, facilitating conflict resolution and regional reconstruction, expanding multilateral cooperation for economic development, and transforming bilateral cooperation to promote sustainable development.

The Alternative Budget stays within the ceilings set by the Budget Enforcement Act of 1990 ("The Budget Summit Agreement") and is lower than the President's FY1993 budget (\$20.9 billion compared with \$22.1 billion). New initiatives and spending adjustments are funded from savings made available from eliminating or phasing out outdated international affairs programs.

PROMOTING AN OPEN WORLD ECONOMY

An open and expanding world economy is in the interests of the United States and the developing countries. Achieving growth in the developing world on a sustainable basis will require action in the areas of trade, investment, and debt relief. In some cases, much can be done without additional resources. Trade liberalization, for example, requires mainly diplomatic and political efforts. Similarly, expansion of the resources of the International Monetary Fund (IMF) should have no impact on the budget deficit.

Expanding programs for official debt relief and increasing export credits to promote the export of U.S. goods and services, however, will require additional government resources.

Official Debt Relief. Developing-country debt totals \$1.1 trillion, of which some \$520 billion is official debt owed to governments and international institutions, and \$540 billion is commercial debt owed to the private banking sector. Some \$44 billion of official debt is owed to the United States.

Proposal: Expand funding for official debt relief from \$0.9 billion over four years, as requested in the President's budget, to \$3.0 billion over five years. This would expand funding for the Enterprise for the Americas Initiative, allow forgiveness of up to 60 percent of outstanding concessional debt in severely indebted countries outside Latin America, and provide resources for debt swaps and other means of dealing with developing-country nonconcessional debt obligations.

Export Promotion. As exports grow, so does demand for official export credit programs that help foreign purchasers of U.S. goods obtain financing. Although controversial, export credit programs can help promote development as well as help American exporters compete in the growing markets of middle-income developing countries.

Proposal: Increase the budget authority for the Export-Import Bank from \$0.7 billion, as requested in the President's budget, to \$0.8 billion in FY1993. This would increase total export credit availability to \$13 billion (compared with \$11.4 billion in the President's budget).

FACILITATING CONFLICT RESOLUTION AND REGIONAL RECONSTRUCTION

Long-term regional conflicts rooted in Cold War competition for influence in disparate areas of the world are showing signs of ending. Meanwhile, regional and ethnic tensions are causing new conflicts in Yugoslavia and the CIS. Supporting multilateral and regional mechanisms to address regional conflicts should be a high priority for U.S. policy in the decade ahead, as should humanitarian assistance for refugees. Although resolving regional conflicts demands policy attention without requiring significant budgetary resources, *postconflict* regional development should have a substantial claim on multilateral development funds.

Multilateral Reconstruction Fund. A new multilateral vehicle is needed to support reconstruction efforts in areas emerging from conflict and to maximize contributions from all donors.

Proposal: Establish a Multilateral Reconstruction Fund (MRF) to help rebuild areas emerging from conflict, with an annual U.S. contribution of \$0.2 billion. With contributions from other countries, available MRF resources could total over \$4 billion within five years.

Middle East Peace Account. Ongoing peace efforts and uncertainty about future events in the Middle East present U.S. policymakers with enormous challenges. The special and essential nature of U.S. efforts in this region should be recognized through the creation of a separate budget category.

Proposal: Create a separate Middle East Peace Account, starting with \$2.0 billion in Economic Support Funds (ESF) from the international affairs budget. When matched by \$3.1 billion from the defense budget, the proposed amount is equal to all military and economic assistance currently designated for Israel and Egypt in the President's budget.

Refugee Assistance. Many developing countries try to provide for refugees despite their own poverty, but international assistance remains crucial. Although the number of refugees has grown, U.S. contributions to international refugee organizations have not increased in the last decade.

Proposal: Increase funding for refugee assistance programs to \$0.8 billion in FY1993 to meet growing human needs in this area.

U.N. Peacekeeping. The end of the Cold War has allowed the resolution of several long-standing regional conflicts in the developing world, while the dissolution of the Soviet empire has unleashed new ethnic and regional conflicts. The United Nations has played a crucial role in negotiating an end to hostilities. A central part of these agreements has been the commitment of U.N. peacekeeping forces to oversee the difficult transition to peace.

Proposal: Support the President's request for increased funding for U.N. peacekeeping to \$0.5 billion in FY1993, including arrearages. This will help support critical U.N. peacekeeping operations, which could approach \$3.1 billion in 1992.

EXPANDING MULTILATERAL COOPERATION FOR ECONOMIC DEVELOPMENT

The United States has a strong stake in multilateral financial institutions such as the World Bank and the regional development banks, which are among the most influential development agencies. The multilateral financial institutions promote U.S. interests by supporting economic and political liberalization in emerging economies. However, these institutions face new challenges—notably in the areas of promoting environmental sustainability, reducing military expenditures, and renewing the attack on poverty—for which they must adopt more participatory and equity-oriented policies and procedures.

Proposal: Increase U.S. support for the multilateral development banks' "soft loan" windows, which lend on concessional terms to the poorest countries. Specifically, the President's budget request should be increased by \$0.2 billion per year to \$2.0 billion, starting in FY1994, to allow for U.S. participation in the next replenishment of the International Development Association (IDA).

TRANSFORMING BILATERAL COOPERATION FOR SUSTAINABLE DEVELOPMENT

No programs in the budget are more in need of change than those designed to promote development in specific countries. Bilateral aid needs to be redesigned to meet common global challenges more effectively.

Sustainable Development Fund. The U.S. Agency for International Development (USAID) cannot meet today's development challenges and should no longer monopolize the distribution of U.S. bilateral assistance.

Proposal: Establish a Sustainable Development Fund (SDF) with initial funding of \$2 billion per year to address global development challenges specified by Congress and the President. The Sustainable Development Fund should be a source of funding for global cooperation, not an operating agency. By introducing competition into U.S. bilateral development programs and channeling its resources through other U.S. government agencies, private and voluntary organizations, multilateral institutions, and other entities, the SDF will dramatically increase the effectiveness of U.S. bilateral aid efforts.

Development Fund for Africa. The Development Fund for Africa was established by Congress in 1987 in recognition of the urgent and special nature of problems in Sub-Saharan Africa. Minimal legislative restrictions and conditions allow for more innovative approaches to problems in the region.

Proposal: Increase funding for the Development Fund for Africa (DFA) from \$0.8 billion, as requested in the President's budget, to \$1 billion per year beginning in FY1993.

Aid to the Commonwealth of Independent States. The republics of the CIS are in the midst of a precarious transition to democracy and market-oriented economic systems. Support from the United States and other Western nations is urgently needed to increase the prospects of an orderly transition from communism to democracy for these countries.

Proposal: Support the President's proposals for U.S. participation in multilateral assistance efforts to help Russia stabilize and restructure its economy and provide \$0.4 billion in bilateral support to meet urgent humanitarian needs in Russia and other republics of the CIS.

The Peace Corps. The Peace Corps is a cost-efficient operating agency with unquestionable benefits for host countries and individual American volunteers. With new programs beginning in Eastern Europe, the CIS, and developing countries emerging from conflicts, the demand for Peace Corps volunteers has never been greater.

Proposal: Double the number of Peace Corps volunteers by the end of the decade, increasing funding to \$0.3 billion beginning in FY1994.

PAYING THE BILL: CUTTING OUTDATED PROGRAMS

The President's international affairs budget still includes Cold War and other outdated programs. The United States can now eliminate or reduce these

outdated programs, saving \$25.3 billion over the period FY1993-FY1997. These savings should be used to support programs that address the new international interests of the United States.

Security Assistance to NATO Countries. As part of its forward strategy aimed at containing the Soviet Union, the United States has long maintained military bases in a number of southern NATO countries—Portugal, Spain, Greece, and Turkey—as well as in the Philippines. Although the military threat that justified these bases no longer exists, the President's FY1993 budget continues most of these “rent” payments.

Proposal: Eliminate Economic Support Funds and Foreign Military Financing (FMF) for NATO countries, thereby saving \$0.8 billion annually.

Foreign Military Financing. Concessional arms transfers to developing countries were justified by Cold War conflicts. However, continued Foreign Military Financing is generally not a productive use of economic resources and can exacerbate regional conflicts.

Proposal: Transfer non-NATO Foreign Military Financing to the defense budget, where its usefulness can be measured against other national security expenditures. This will result in annual savings in the international affairs budget of \$3.5 billion. Eventually, FMF programs should be eliminated altogether.

U.S. Agency for International Development.

By the mid-1990s, the proposed Sustainable Development Fund should be the major vehicle for U.S. bilateral assistance. USAID will continue as a delivery agency but will have to compete with other organizations for SDF funds. Accordingly, the resources directly appropriated to the agency by Congress should gradually be reduced.

Proposal: Cut USAID funding levels by \$3.1 billion between FY1993 and FY1997.

International Broadcast Services. Few nondefense programs are more identified with the Cold War than Radio Free Europe, Radio Liberty, and Voice of America. Although these stations performed an essential service for a long time, the people of Eastern Europe and the CIS now have access to many other independent sources of information.

Proposal: Reduce and consolidate U.S. government-provided international broadcasting services to obtain savings of \$1.2 billion over five years.

**FROM SECURITY TO
DEVELOPMENT**

Foreign assistance constitutes the bulk of the international affairs budget. The Alternative Budget proposals shift foreign assistance decisively in the direction of humanitarian and development assistance and away from security assistance. Under the President's budget, the \$15.8 billion in foreign assistance is nearly evenly divided between development and humanitarian assistance on the one hand and security assistance on the other. In contrast, under the Alternative Budget, more than three quarters of the \$14.4 billion in foreign assistance will consist of development and humanitarian assistance.

Introduction

The massive political, social, and economic changes of the past few years have given rise to a growing debate over America's role in a post-Cold War world. At the same time, however, issues much closer to home are demanding attention. Americans are worried about the economy; about government programs that no longer seem to work; about the decay, poverty, and drugs in inner cities; and about lagging behind other nations in education, health care, and quality of life.

The U.S. federal budget put forward each year by the President is an opportunity to rethink domestic and international priorities in the context of always limited government resources. Nondefense foreign policy priorities are contained in the section of the budget designed "...to promote American interest abroad." Unfortunately, in recent years, the annual debates over the international affairs budget have grown increasingly stale, revolving primarily around whether particular countries or programs should get a few million dollars more or less. Strikingly absent is any serious analysis of whether current programs have outlived their time or what new policy goals might lay claim to available resources.

The opportunity for major changes in international affairs spending this year is lost, drowned in the cacophony of election year politics and fears of resurgent voter isolationism. Congress has failed to pass legislation authorizing the international affairs program for FY1992, instead enacting an appropriation that maintains spending at current levels with no changes in programs or priorities. Action on the FY1993 authorization also appears unlikely this year.

Although meaningful reform has been deferred, there is growing consensus in Congress and elsewhere that change must occur if U.S. foreign policy is to remain relevant in the 1990s. Once a new administration and Congress are in place in 1993, a serious reform effort is likely to be launched. In the process, policymakers in Congress and the executive branch will need to make tough choices and develop innovative but practical proposals of the kind contained in this Alternative International Affairs Budget.

The Alternative Budget is the second to be published by the Overseas Development Council. It recommends specific changes in FY1993 spending levels but also is designed to inform the coming crucial debate over U.S. foreign policy spending priorities in the post-Cold War era. It requires reorganizing the international affairs budget to meet changing U.S. international interests, particularly those linked to domestic problems. Even within current spending constraints, international expenditures can be made relevant to the challenges of the 1990s and to the domestic concerns of ordinary Americans.

The United States cannot withdraw from the world. Indeed, continued involvement in international affairs is essential to revitalizing the U.S. economy, stimulating export performance, creating jobs for American workers, and addressing global challenges of pressing concern to the United States. The Alternative Budget provides a framework for the post-Cold War imperative to address international concerns in ways that also promote domestic interests and needs.

Part I of the Alternative Budget outlines the relationship between America's domestic interests and its international involvements. Part II makes detailed recommendations for reorganizing the international affairs budget to promote more effectively U.S. domestic and international interests even within current budgetary constraints. Part III expands upon the innovative proposal made last

year for a Sustainable Development Fund (SDF) that would radically reform U.S. bilateral cooperation. In Part IV a series of strategy papers outline how the proposed SDF could tackle problems in the areas of population stabilization, poverty alleviation, agriculture, and international health.

Part I. American Interests in a Developing World

A Changing World and U.S. Opportunities

The disintegration of the Soviet Union gives the United States an unprecedented opportunity to exercise global leadership in shaping the post-Cold War world and simultaneously to address pressing, previously neglected challenges. After five decades of according priority to military preparedness, including a cumulative total of \$12 trillion in defense expenditures,¹ the United States can now turn to other concerns.

In the past decade, the preoccupation with confronting communism abroad was paralleled by a neglect of problems at home. There is justified concern that domestic issues should now be given priority. Many are worried about this country's ability to compete in global markets, and policymakers face constraints imposed by budgetary gridlock and pyramiding national debt. Observers across the political spectrum are calling for the United States, having won the Cold War, to "come home."

For the first time since World War II, the United States has the opportunity to reduce its

overseas military commitments and redirect spending priorities toward domestic problems. Even as it turns to domestic issues, however, the United States cannot afford to ignore the world beyond its shores. Many economic, environmental, and social challenges facing the United States can only be dealt with through cooperation with other nations, including those in the developing world.

The challenge for U.S. policymakers is to forge a new foreign policy that seizes the opportunity to make America stronger at home and abroad. The United States cannot do everything; resources are limited and many things are beyond its control. But there is much the United States can do to promote its own interests and those of the global community at a mere fraction of what was spent fighting the Cold War. The changes of the last few years also allow the United States to make common cause with the growing number of countries that share the same basic values and interests.

The United States and the Developing Countries

Recent rapid and dramatic changes in Eastern Europe and the Commonwealth of Independent States (CIS) have grabbed the world's attention, but the developing countries are as important, if not more so, to the future well-being and prosperity of the United States. Home to nearly 80 percent of the world's population, the countries of the developing world are valuable trading partners, continuing suppliers of oil and other important raw materials, and crucial partners in confronting domestic and international challenges.

Consider some of the "domestic" issues about which Americans are most concerned: unemployment, energy dependence, trade deficits, environmental degradation, drugs, illegal immigration, and AIDS. Each is global in nature and can only be addressed effectively with the cooperation of developing countries.

U.S. EXPORTS AND JOBS

In the 1970s, the developing countries emerged as major export markets for American industry. In 1981, they bought 41 percent of U.S. exports, more than Japan and Western Europe combined.² After 1982, however, the debt crisis and global recession shrank developing-country markets; in 1986, the developing-country share of U.S. exports dropped to 32 percent. Despite overall improvement in U.S. exports in the latter part of the decade, by 1990 the developing-country share of U.S. exports was still only 34 percent, and the United States had lost an estimated 1.7 million jobs due to lost export opportunities.³

At the end of 1991, the United States had a merchandise trade deficit of \$66 billion⁴ and over nine million Americans were unemployed.⁵ Although the largest U.S. bilateral trade deficit is with Japan, the United States buys more than it sells

to most other countries, many of which are severely indebted. Faster growth in debt-burdened developing countries would expand U.S. exports and create American jobs. If the developing countries return to growth rates approximating those of the 1970s, U.S. exports to developing countries could be as much as \$30 billion a year higher within three years, resulting in the creation of as many as 600,000 new U.S. jobs.⁶

ENERGY DEPENDENCE

Nearly a quarter of all oil consumed in the United States comes from developing countries outside the Persian Gulf.⁷ The United States consumes 26 percent of the world's oil, while possessing only 4 percent of proven oil reserves.⁸ At present rates of consumption, U.S. reserves will last only 10 years,⁹ making the United States increasingly dependent on imports—and on the developing countries.

INTERNATIONAL FINANCIAL STABILITY

U.S. commercial banks hold over \$65 billion in debt from developing countries that are not members of the Organization of Petroleum Exporting Countries (OPEC).¹⁰ Although the debt crisis has eased and no longer threatens to destroy the international financial system, it remains an important determinant of the overall health of a U.S. banking system already weakened by domestic bankruptcies and the collapse of savings and loan institutions.

ENVIRONMENTAL DEGRADATION

Global threats to the environment include ozone depletion, global warming, and tropical deforestation. These threats can only be dealt with through international cooperation and require a willingness by all countries to accept responsibility for their share of the problem and to make the difficult commitments necessary to protect the world's environment.¹¹

Ozone depletion, caused by the accumulation of chlorofluorocarbons (CFCs), has been widely recognized as a serious threat since 1985, when a continent-sized hole in the ozone layer over Antarctica was discovered. In January 1992, NASA scientists warned that a similar hole could develop over the northern latitudes by the end of this decade, causing dramatic increases in skin cancer and eye cataracts in the northern United States and potentially disrupting global food production.¹² Industrial countries as well as many developing countries have agreed to phase out CFCs. The NASA findings further spurred the United States to accelerate unilaterally requirements to replace CFCs with chemicals less damaging to the ozone (although some of these more expensive CFC substitutes also damage the ozone layer). However, unless the more advanced developing countries also agree to eliminate CFC use, ozone depletion will continue to accelerate.¹³

Similarly, as industrial activity throughout the world increases and populations expand, growing emissions of carbon dioxide and other greenhouse gases contribute to increased *global warming*. The consequences of global warming could include rising oceans, increased frequency and severity of storms, changes in rainfall patterns, and eradication of major species. The United States and other industrial countries currently remain the largest

emitters of greenhouse gases.¹⁴ However, developing countries are becoming major contributors to the problem. For instance, if India and China raise their per capita emissions to the world average, global carbon dioxide emissions will increase an estimated 33 percent.¹⁵

Some 40 million acres of tropical forest are destroyed each year through *deforestation*. Because forests are often cleared by burning, deforestation contributes to atmospheric concentrations of carbon dioxide. Tropical forests contain at least 50 percent, and perhaps as many as 90 percent, of the world's plant, animal, and insect species. The genetic material in the dozens of species that are condemned to extinction daily as a result of deforestation is an irretrievable loss; it will never be available for the development of pharmaceuticals and other products.¹⁶ Destruction of tropical forests also destroys the livelihood of many local people living in and around the forests, leading to a vicious cycle of increased poverty and environmental degradation.

DRUGS

Some 25 million Americans spend approximately \$50 billion per year on illegal narcotics.¹⁷ Drug addiction, and the demand to satisfy it, is causing unprecedented violence and social disruption in American cities.

Nearly all illicit drugs sold in the United States are grown in developing countries, often by poor farmers with few other means of generating cash income. For some countries, revenues from the sale of illegal narcotics are substantially larger than legal export earnings; for Bolivia and Colombia, they are nearly twice as large.¹⁸ The farmers, however, get little of the profit—just enough to entice them away from legal activities.

Increased U.S. military assistance for drug interdiction in the Andean countries (from \$5 million in 1988 to \$140 million in 1990) has proven ineffective; cocaine production in Latin America increased by 28 percent in 1990 and by an estimated additional 10 percent in 1991.¹⁹ Unless expanded efforts to cut consumption in the United States are joined with viable economic alternatives in the drug-producing countries, particularly in Latin America, illegal drugs will remain their most profitable export.

ILLEGAL IMMIGRATION

Although proud of their heritage as a nation of immigrants, Americans in many parts of the country are concerned that illegal immigrants today take jobs, depress wages, and increase the burden on social services. Efforts to control illegal immigration have met with mixed success. A report commissioned by the U.S. Congress concluded that the only long-term solution to illegal immigration is sustained economic development, particularly in Latin America.²⁰ In addition, renewed programs to slow population growth will help reduce pressures to emigrate.

HIV/AIDS AND INTERNATIONAL EPIDEMICS

An estimated one million Americans are infected with human immunodeficiency virus (HIV), the virus that causes AIDS. Internationally, 10 to 12 million people are HIV positive, the majority in Africa, but increasing numbers in Asia as well. By the year 2000, 30 to 40 million people could be infected worldwide.²¹

AIDS is a global problem and requires global solutions. Prevention efforts through education must be continued and expanded; the cost is minor compared with the cost of treatment, and it is the only option available for the near future. Efforts to develop and test a vaccine will require close cooperation among scientists in many countries; vaccine testing will have to take place in developing countries most affected by HIV.

Millions of lives could have been saved had an international early warning system been in place when the AIDS pandemic was still in its early stages. Increasing world population, urbanization, and the permeability of international borders mean that other epidemics could also catch the world by surprise. (For a discussion of the kinds of measures that could avert such epidemics in the future, see Lincoln C. Chen, "A New World Health Order," in this volume.)

Building a Better World

Pressing social and economic challenges in the United States as well as the long-term goal of helping to build a world with greater human dignity, well-being, and freedom require the United States to remain actively involved with and supportive of developing countries. The promotion of these values—intrinsic to the American political tradition, even if sometimes breached in practice—has long been a cornerstone of American foreign policy.

The current international political context, free of conflict between competing ideological systems, offers an opportunity to promote American democratic and humanitarian ideals. With communism discredited, these ideals offer the undisputed best hope for development and progress. To be credible, however, the United States must be willing to help address the urgent problems that face the developing countries, many of which have implications for the United States as well.

REDUCING POVERTY

Developing countries as a group have made considerable economic and social progress since the 1950s. Until the 1980s, economic growth rates in the developing countries exceeded those realized by the developed countries during their industrial revolutions. Between 1960 and 1990, average life expectancy for the developing world as a whole increased from 46 to 63 years. Yet over one billion people still live in extreme poverty, with average per capita incomes less than \$370 per year. These “poorest of the poor” not only have less income but also less education, lower life expectancy, more malnutrition, higher rates of infant mortality, substandard housing, and less access to water, sanitation, health care, and other social services.²²

Americans consistently express concern over the plight of the very poor, even as they doubt the

effectiveness of current U.S. foreign assistance programs.²³ Reducing poverty is of concern to Americans both for humanitarian reasons and as a means to address important global issues. Poor farmers grow coca because they have no alternative sources of income, and they destroy tropical forests because they are desperate for land. Illegal immigrants come to the United States seeking new opportunities because economic stagnation or environmental deterioration leave them without prospects in their own countries. Disparities between rich and poor countries contribute to regional and global political instability.

Poverty is not confined to developing countries. Poverty has grown in the last decade in the United States, particularly among children.²⁴ Domestic and international programs to alleviate poverty often suffer from the same mistakes. Underfunded and implemented from above, without actively involving the people affected, they create dependency instead of empowering people to take charge of their own lives. Both humanitarian ideals and self-interest require the United States to make a renewed commitment to closing the widening gap between rich and poor at home and abroad.

IMPROVING GLOBAL HEALTH

Enormous progress has been made during this century in increasing longevity and reducing morbidity. Yet the benefits of increased health knowledge have not been uniformly distributed, and wide global disparities remain. Average life expectancy in Africa is 55 years, compared with 76 in the United States. The infant mortality rate in Africa is 90 deaths per thousand live births, compared with five per thousand in Japan, Finland, and Iceland.²⁵

Within the United States, disparities exist as

well. The infant mortality rate of the black population is twice that of the white population (18 per thousand compared to 9).²⁶ Native Americans, migrant workers, and many recent immigrants have health conditions resembling some of the world's poorest countries.²⁷

Global efforts to protect against and eradicate diseases provide direct benefits to the United States. The successful effort to eradicate smallpox saves the United States approximately \$300 million per year in vaccines and border checks. The eradication of polio, an internationally agreed health target, could provide similar savings.²⁸ Vaccines tested in developing countries protect U.S. travelers from tropical diseases. The use of oral rehydration therapy instead of hospital-based treatment of diarrhea in the United States has potential life-saving and cost-reducing applications for both children and the elderly.²⁹ The Center for Disease Control is currently studying how the lessons learned in developing-country vaccination programs can be applied in the United States, particularly among urban populations, where between 58 and 90 percent of all children are not fully immunized.³⁰

REDUCING WORLD POPULATION GROWTH

If present fertility trends continue, today's world population of 5.4 billion will nearly double by 2050. Increased international efforts to provide family planning services and improve women's education and health, particularly in developing countries, could stabilize world population at less than 10 billion. If international commitment flags, however, world population could reach 11.7 billion by 2050 and ultimately exceed 14 billion. Over 90 percent of the population increase will occur in developing countries.³¹

Current economic, political, and environmental systems may not be able to sustain a tripled world population. World population growth directly affects many issues of concern to the United States, including environmental degradation, illegal immigration, economic stagnation, global health, and poverty. With a large percentage of women in developing countries entering their childbearing years, family planning efforts in the next decade will be a crucial determinant of future world population and well-being. (For a discussion of measures to slow population growth, see Sharon L. Camp, "Slowing Population Growth," in this volume.)

CONFLICT RESOLUTION

One hundred twenty-five wars, causing between 20 and 40 million deaths, have taken place in the developing world since 1945.³² Estimates of property losses run as high as \$500 billion,³³ and millions of refugees have strained the capacity of human caring.

Although the end of the Cold War will reduce the likelihood of nuclear war and armed conflict between superpowers, the causes of instability and insecurity, as well as the roots of tensions between states in the developing world, will remain potent forces for conflict for some time. The dissolution of the Soviet Union has also lifted the lid on long-simmering ethnic conflicts, some of which have already erupted into civil war.

In addition, many developing countries have acquired, or are producing, increasingly sophisticated weapons, including nuclear explosives, ballistic missiles, and chemical and biological agents. The United States will need a scaled-down military to defend itself if necessary, but efforts to resolve or avoid conflict will likely prove more productive and

more cost effective. Conflict resolution and avoidance must be important parts of the United States' international agenda.

REFUGEE RESETTLEMENT

There are currently 17 million international refugees in the world, mostly women and children, and at least 23 million internally displaced people. Many are the lingering human fallout of Cold War conflicts. The largest refugee populations are in Africa (5.3 million), the Middle East (5.8 million), and South Asia (4.0 million).³⁴ Conflicts in Central America have led thousands to seek refuge in surrounding countries and the United States.

The number of refugees has more than doubled in the past decade, and many very poor countries have made admirable efforts to meet refugees' pressing needs. U.S. assistance, however, has remained constant. As a result, funds for education and resettlement have largely been eliminated, and refugee programs today focus merely on survival. Yet the ultimate goal of refugee assistance must be to help people establish new lives, preferably in their country of origin. Efforts to end regional conflicts are crucial, as is assistance in the orderly repatriation of refugees to their own countries, most of which have been devastated by wars.

PROMOTING DEMOCRACY

The last decade brought a welcome wave of political openness to the developing world, Eastern Europe, and the CIS. Most Latin American, and some Asian, countries have replaced military governments and one-party states through multiparty elections. Similar changes began in Africa in 1991. More than ever, competitive political systems are the norm; the opportunity to promote democracy and open political systems is greater than at any time in history.

Economic pressures on the newly democratic regimes are severe, and political backlash could result if improvements in well-being take too long. In addition, national elections do not necessarily lead to increased local participation in decisionmaking. Allowing people control over decisions that directly affect their lives is an essential—though often neglected—component of building stable and equitable societies.

Maintaining and nurturing the nascent democracies and encouraging local participation in decisionmaking are consistent with American ideals and would considerably increase regional and global stability.

Planning for an Uncertain Future

Even in the midst of economic difficulties, the United States must plan for future challenges. Some emerging issues are already evident. Continued growth in the United States requires a growing world economy. The global environment must be protected, the needs of the poor addressed, and world population growth stabilized if the United States wishes to be part of a healthy and stable world.

But further surprises undoubtedly lie ahead. The earth has become smaller, more crowded, and the lives of its people more closely intertwined; the effects of growing populations' activities on the earth's atmosphere, oceans, and forests are only partially understood. Few predicted in 1980 the global challenges that face us in the early 1990s. The AIDS virus was only identified in 1981; the hole in the ozone layer was discovered in 1985.

In the political realm, surprises are equally likely. The Soviet Union, considered a major threat just a few years ago, no longer exists. Predicting the new issues that will face us in 2052, or even 2002, is impossible. It is essential, therefore, to begin to lay the foundations for international cooperation that will allow us to confront current and future global challenges.

U.S. Policy Priorities After the Cold War

A government's primary responsibility is to its own people. The United States first must boldly address the challenges within its own borders. When the country with the world's largest GNP ranks twentieth in child mortality³⁵ and has 36 million people without health care coverage,³⁶ a shortage of low-income housing, and an annual budget deficit exceeding \$350 billion, claims to global leadership ring hollow.

Addressing concerns within U.S. borders will require improving U.S. economic competitiveness, reducing the budget deficit, creating new and more productive jobs, improving education, making health care affordable and accessible to all, creating affordable housing, combatting the use and flow of drugs, and protecting the environment.

Even as it addresses issues at home, however, the United States continues to have an important, although altered, role to play in the world. In the 1990s, world leadership will come less from military power than from economic strength and moral example. The end of the Cold War makes it possible for perhaps the first time to envision a world characterized by peace, economic growth, environmental sustainability, and widespread democratization and human development.

In this world, the traditional dichotomy between "domestic" and "international" issues is an anachronism. Global action is needed to address successfully the majority of so-called domestic concerns as well as to advance longer-term U.S. interests in building a better world and promoting American humanitarian ideals. The United States must learn to think strategically—helping to frame the new international agenda while sharing responsibility for its implementation and using available resources to leverage participation by other nations.

In the period ahead, U.S. foreign policy must have the following broad objectives:

1) *Global economic growth.* Growth in the world economy is essential for both developed and developing countries. It could also be an important part of an overall strategy to restructure the U.S. economy and restore American competitiveness.

2) *Resolution of outstanding regional conflicts.* A truly peaceful world requires not only an end to the Cold War between the superpowers but also resolution of long-term and emerging regional conflicts in the developing world and Eastern Europe. Arms control, conflict resolution, postconflict reconstruction and development, expanded refugee programs, and disaster relief are essential to preventing further outbreaks of hostility.

3) *Progress on the common global challenges requiring cooperation and participation from all countries.* The United States should take a leadership role in addressing such problems as environmental threats, rapid population growth, AIDS, and other health pandemics.

4) *Poverty alleviation and human development.* Wide disparities in income and human well-being between rich and poor people and countries are immoral; they also contribute to many other global problems. They must be resolved for both humanitarian and self-interest reasons.

5) *Political reform in the developing countries, Eastern Europe, and the Commonwealth of Independent States.* The new democracies require support and encouragement if they are to make the difficult transition to permanence.

Pursuing these new post-Cold War objectives will require strong leadership and commitment but not necessarily large increases in direct government expenditure. Negotiating increased trade openness or diplomatic efforts to dampen regional conflicts require a commitment of political time and energy and multilateral cooperation in a wide range of areas. But those efforts do not involve massive increases in U.S. international affairs spending.

For other purposes the international affairs budget is an important instrument in pursuing U.S. national interests abroad in the 1990s, even though it represents less than 1 percent of overall government spending.

The Alternative Budget that follows restructures current international affairs expenditures to better promote U.S. interests at home and abroad. The proposed changes reflect the dramatic developments of recent years, translate where appropriate the interests and ideals just outlined into concrete spending priorities, and lay the foundations for a strong and secure future within a stronger and more secure world.

Part II. Alternative International Affairs Budget

Framework for the Post-Cold War Era

The FY1993 international affairs budget submitted by the President fails to offer innovative new programs to better serve the United States and its international partners. It continues too many programs whose usefulness has been surpassed.

The Alternative International Affairs Budget demonstrates that it is possible simultaneously to address new development challenges and to advance American domestic needs and interests. It recasts the international affairs budget accounts in terms of foreign policy objectives appropriate to today's changed realities:

- promoting an open world economy;
- facilitating conflict resolution and regional reconstruction;
- expanding multilateral cooperation for economic development; and
- transforming bilateral cooperation to promote sustainable development.

The Alternative Budget contains a number of new initiatives, as well as adjustments in levels of spending for existing accounts (Table 1). The costs of these new initiatives and spending adjustments, discussed in detail later, are funded almost entirely from savings made available from eliminating or phasing out other international affairs programs. The overall costs of the Alternative Budget stay within the ceilings set by the Budget Enforcement Act of 1990 ("The Budget Summit Agreement") and are, in fact, lower than the FY1993 costs of the President's budget (Figure 1).

The need to remain within the Act's ceiling is dictated by the political reality that increased funding for international programs is unlikely until

the United States begins to control the federal budget deficit and to address domestic priorities. The United States, however, ranks at the bottom of the list of industrialized countries in terms of aid levels measured against national wealth. As defense budgets drop in the years ahead and budget pressures ease, growing U.S. interests in global leadership provide a strong case for measured increases in the international affairs budget.

PROMOTING AN OPEN WORLD ECONOMY

An open and expanding world economy is in the interests of both developed and developing countries. Free trade and free markets are essential for sustained growth in the world economy. If the appropriate mix of domestic economic policies, an open world economy, and external assistance can accelerate growth in the developing world, demand for exports from the United States and other industrial countries will increase dramatically.

Achieving growth in the developing world on a sustainable basis will require action in the areas of trade, investment, and debt relief. In some cases, much can be done without additional resources. Trade liberalization, for example, requires mainly diplomatic efforts to arrive at agreements among industrial countries over issues such as agricultural subsidies, workers rights, and environmental protection, along with domestic political leadership to prevent the adoption of regressive protectionist measures. Similarly, expansion of the resources of the International Monetary Fund (IMF), which

would facilitate economic and political reforms in Eastern European and developing countries, should have no impact on the budget deficit (Box 1). Expanding programs for official debt relief and increasing export credits to promote the export of U.S. goods and services, on the other hand, will require additional government resources.

Official Debt Relief. Expand funding for official debt relief from \$0.9 billion over four years, as requested in the President's budget, to \$3.0 billion over five years.

The heavy developing-country debt burden has been disastrous for debtor countries and their trading partners. Developing-country debt totals \$1.1 trillion, of which some \$520 billion is official debt owed to governments and international institutions and \$540 billion is commercial debt owed to the private banking sector.³⁷ Some \$44 billion of official debt is owed to the United States.³⁸

Bilateral official debt—debt owed by developing countries to other governments—constitutes 28 percent of developing-country debt and is the principal debt of the poorest developing countries. Debt service consumes a significant portion of foreign exchange earnings for many developing countries.³⁹ Austerity measures, requiring slashes in imports and social services, have caused widespread suffering in developing countries and the loss of export-related jobs in the United States; those measures also threaten the stability of fragile new democratic regimes and make it difficult to afford important environmental protection measures. Debt relief is imperative on economic, humanitarian, political, and environmental grounds.

During FY1991, debt relief totaling over \$11.0 billion was extended to developing countries, a more than twenty-five-fold increase over 1990. This included \$0.8 billion to a number of highly

indebted African nations, \$1.5 billion to Latin American and Caribbean countries, and \$0.3 billion to Asian countries. In addition, \$1.8 billion in debt relief was extended to Poland, and Egypt's debt of \$6.7 billion for foreign military assistance was forgiven. The total level of debt relief provided by the United States was far greater than anticipated at the beginning of the year.

Despite these significant accomplishments, more needs to be done. The administration endorsed the principle of official debt reduction for middle-income as well as low-income countries when it announced the Enterprise for the Americas Initiative in June 1990 and included funding for official debt relief in its FY1992 budget request. Since no foreign assistance authorization legislation was enacted last year, however, the debt relief initiatives included in the President's FY1992 budget could not be implemented.

The restoration of economic growth in the developing world depends on the economic health of the industrial countries, sound policy choices by developing countries, and the success of international negotiations to reduce barriers to trade. However, the economic prospects of many countries would be improved by the increase in debt relief proposed here. Such an increase would

- expand funding for the Enterprise for the Americas Initiative,
- allow forgiveness of up to 60 percent of outstanding concessional debt in severely indebted countries outside Latin America, and
- provide resources for debt swaps and other means of dealing with developing-country nonconcessional debt obligations such as loans from the Export-Import Bank and the Commodity Credit Corporation.

Developing countries are only eligible for debt relief if they agree to adopt sound macroeconomic

TABLE 1. ALTERNATIVE INTERNATIONAL AFFAIRS BUDGET (\$ billions in budget authority)

	FY1993	FY1994	FY1995	FY1996	FY1997
Open World Economy					
Official Debt Relief	0.6	0.6	0.6	0.6	0.6
Export Promotion	0.8	0.9	1.0	1.0	1.1
Conflict Resolution and Regional Reconstruction					
Multilateral Reconstruction Fund (MRF)	0.2	0.2	0.2	0.2	0.2
Middle East Peace Account ^a	2.0	2.0	2.0	2.0	2.0
Refugee Assistance	0.8	0.8	0.9	0.9	1.0
U.N. Peacekeeping	0.5	0.5	0.5	0.5	0.5
Multilateral Cooperation for Economic Development					
Multilateral Development Banks	1.8	2.0	2.0	2.0	2.1
International Organizations					
Voluntary Contributions	0.3	0.3	0.3	0.3	0.3
Assessed Contributions	0.9	0.9	0.9	0.9	0.9
Transforming Bilateral Cooperation					
Sustainable Development Fund (SDF)	2.0	2.5	3.5	4.0	5.0
Agency for International Development	2.2	1.7	1.4	1.3	1.2
Development Fund for Africa	1.0	1.0	1.0	1.0	1.0
Aid to Eastern Europe	0.5	0.4	0.3	0.1	—
Aid to the Commonwealth of Independent States ^b	0.4	—	—	—	—
Peace Corps	0.2	0.3	0.3	0.3	0.3
P.L. 480 (Food for Peace)	1.3	1.3	1.3	1.3	1.3
International Narcotics Control Programs	0.2	0.2	0.2	0.2	0.2
State Department Operations	2.9	2.8	2.8	2.8	2.8
Foreign Information and Exchange Activities ^c	1.4	1.2	1.1	1.1	0.9
Other and Rounding ^d	0.9	1.1	1.1	1.1	1.1
Alternative Budget	20.9	20.7	21.4	21.6	22.5
President's Budget	22.1	21.8	21.3	21.1	20.9

^aThe Middle East Peace Account is funded at \$5.1 billion per year: \$2.0 billion is from Economic Support Funds in the international affairs budget and \$3.1 billion is from the defense budget.

^bAs reliable data upon which to base requirements for this account are not available, no out-year recommendations have been included.

^cIncludes the Board for International Broadcasting and USIA, which includes Voice of America.

^dIncludes International Military Education and Training, Economic Support Funds, and miscellaneous programs.

Source: Authors' calculations based on Budget of the United States Government, Fiscal Year 1993 (Washington, DC: U.S. Government Printing Office, 1992).

management policies. Moreover, since the United States is only one creditor among many (and not necessarily the largest), multilateral debt relief agreements should be negotiated to assure participation by most creditors. Country-by-country levels of debt forgiveness and/or restructuring should be based on reasonable

assessments of a debtor country's economic situation and ability to service its debt.

The recommended level of U.S. debt relief, together with equally generous official debt relief already committed by a number of other creditors, would make a substantial contribution to the development progress of

FIGURE 1. ALTERNATIVE PROGRAM ALLOCATIONS, FY1993

A. COMPARISON OF BUDGET AMOUNTS (\$ billions in budget authority)

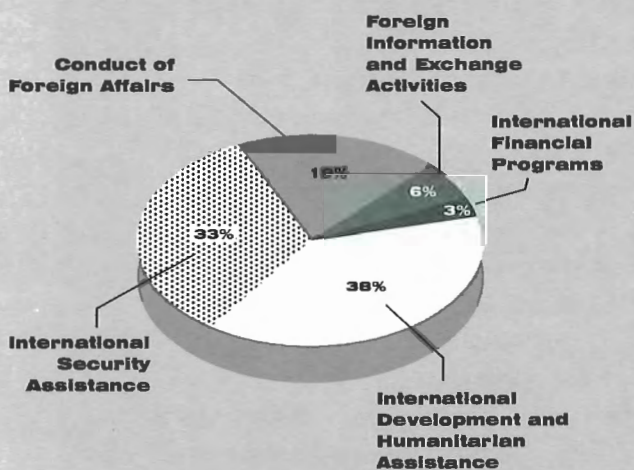
	PRESIDENT'S REQUEST	ALTERNATIVE PROPOSAL
International Development and Humanitarian Assistance		
Agency for International Development	2.2	2.2
Development Fund for Africa	0.8	1.0
Aid to Eastern Europe	0.5	0.5
Aid to the Commonwealth of Independent States	0.4	0.4
Sustainable Development Fund (SDF)	—	2.0
Multilateral Reconstruction Fund (MRF)	—	0.2
Debt Relief		
Enterprise for Americas Initiative	0.3	0.3
Other Countries	—	0.3
Multilateral Development Banks	1.8	1.8
P.L. 480 (Food for Peace)	1.3	1.3
Refugee Assistance	0.6	0.8
International Organizations	0.3	0.3
Peace Corps	0.2	0.2
International Narcotics Control Programs	0.2	0.2
Other and Rounding	-0.2	-0.2
Subtotal	8.4	11.3
International Security Assistance		
Foreign Military Financing (FMF)	4.2	—
Economic Support Fund (ESF)	3.1	1.0
Middle East Peace Account ^a	—	2.0
International Military Education and Training (IMET)	0.1	0.1
Subtotal	7.4	3.1
Conduct of Foreign Affairs		
U.N. Assessments	0.9	0.9
U.N. Peacekeeping	0.5	0.5
State Department Operations	2.9	2.9
Subtotal	4.3	4.3
Foreign Information and Exchange Activities		
U.S. Information Agency	1.2	1.2
Board for International Broadcasting	0.2	0.2
Subtotal	1.4	1.4
International Financial Programs		
Export-Import Bank	0.7	0.8
Subtotal	0.7	0.8
Total	22.1	20.9

^aTotal funding is \$5.1 billion a year, of which \$2.0 billion is from Economic Support Funds in the international affairs budget and \$3.1 billion is from the defense budget.

Source: Authors' calculations based on Budget of the United States Government, Fiscal Year 1993 (Washington, DC: U.S. Government Printing Office, 1992).

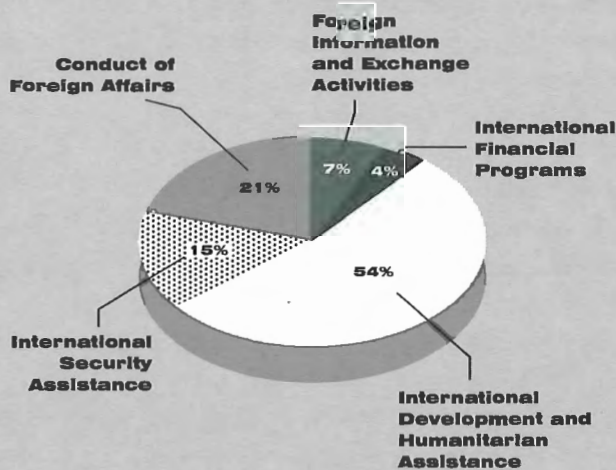
B. COMPARISON OF BUDGET SHARES (percent)

PRESIDENT'S REQUEST



TOTAL INTERNATIONAL AFFAIRS:
\$22.1 BILLION

ALTERNATIVE PROPOSAL



TOTAL INTERNATIONAL AFFAIRS:
\$20.9 BILLION

Note: Numbers may not add due to rounding.

Source: Authors' calculations based on Budget of the United States Government, Fiscal Year 1993 (Washington, DC: U.S. Government Printing Office, 1992).

the debtor countries. It would also enhance debtors' ability to service commercial debt. However, so that commercial creditors are not the chief beneficiaries of official debt relief, policymakers need to enlist their participation in comprehensive debt-relief packages wherever possible. However, the measure of the success of any debt-relief effort must be whether it acts as a catalyst for economic recovery in developing nations and contributes to the strength of the international banking system.

Export Promotion and Credits. Increase the budget authority for the U.S. Export-Import Bank from \$0.7 billion, as requested in the President's budget, to \$0.8 billion in FY1993. This would

increase total export credit availability to \$13 billion (compared with \$11.4 in the President's budget).

As exports grow, so does the demand for official export credit programs, which assist foreign purchasers of U.S. goods in obtaining financing. Such assistance is furnished by the U.S. government through the Export-Import Bank, either as direct loans at interest rates set by international agreements or as guarantees for loans obtained in private financial markets.

Export credit programs are controversial. Some view export credits as unnecessary subsidies for American exports that would take place in any event and argue that the credits represent government interference with the free play of market forces.

BOX 1. THE IMF QUOTA INCREASE: NOT A BUDGET ISSUE

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The current practice of requiring appropriations, rather than merely authorizing legislation, to participate in quota increases for the International Monetary Fund (IMF) is incorrect and not consistent with historical practice.

The IMF promotes a stable world monetary order and fosters global macroeconomic conditions conducive to economic growth in all nations. Although it was originally designed to ensure stable monetary relations among the industrial countries, the IMF now focuses its activities almost exclusively on providing economic guidance and monetary credit to developing countries. Most observers believe the IMF should also assume a major role in guiding and financing economic restructuring in Eastern Europe and the Commonwealth of Independent States. Critics insist, however, that the IMF must acknowledge responsibility for the social and environmental effects of its policies and adopt more open operating procedures.

U.S. participation in the IMF quota increase is essential to economic growth and stability in the developing world, Eastern Europe, and the Commonwealth of Independent States and thus to a variety of U.S. economic and security interests. The President's FY1992 budget recognized this in

requesting authority from Congress to participate in a 50 percent increase in IMF quota levels, along with an appropriation for \$12.3 billion—a request that is still pending.

In recent years, U.S. participation in IMF quota increases has unnecessarily become involved with the debate on international assistance levels. This is unfortunate because the IMF's primary mission is not foreign aid and the U.S. subscription to the quota does not involve spending.

In 1967, the Presidential Commission on Budget Concepts stated, "The transactions of the Fund are monetary exchanges. . . . The U.S. net position with the International Monetary Fund is in reality a foreign exchange asset comparable to gold or convertible foreign currencies owned by the Treasury. . . . Subscriptions, drawings, and other transactions should be excluded from budget expenditures."

Congress deviated from this approach in the 1970s and began to require appropriations for IMF quota increases. Congress should return to the pre-1970s practice of providing the administration with the authority to participate in IMF quota increases without requiring appropriation action.

Others hold that export credits absorb scarce funds better used for development assistance and distort patterns of development by promoting inappropriate industrialization. With proper safeguards, however, export credits can help promote development and also help American exporters compete in the growing markets of middle-income developing countries, particularly in Asia. Major competitors of the United States have access to a range of credit facilities provided by their governments that often put U.S. firms at a disadvantage.

The FY1992 Alternative Budget proposal that the direct loan part of Export-Import Bank programs be expanded to \$2.0 billion per annum was adopted in the President's FY1993 budget request. Current utilization rates and the need to support continued growth in U.S. exports mean that further increases in the total program level of the Export-Import Bank are justified. Thus the combined program level of the bank—including direct loans and loan guarantees—should be \$13.0 billion in FY1993, an increase of \$1.6 billion over the President's request.

An additional \$1.0 billion per year, reaching a total of \$17 billion in FY1997, will be needed to support American export industries. The budget impact of this program is relatively small, as only the subsidy elements of the loan program are charged against the budget accounts. Consequently, the recommended program level of \$13 billion in export credits requires only \$0.8 billion in budget authority for FY1993, an increase of \$0.1 billion over the amount requested by the President.

FACILITATING CONFLICT RESOLUTION AND REGIONAL RECONSTRUCTION

Many long-term regional conflicts rooted in Cold War competition for influence in disparate areas of the world are showing signs of ending. But the devastation remains. Multilateral efforts to preserve peace and to assist in the recovery are essential. Even as some conflicts are ending, regional and ethnic tensions are causing new conflicts in Yugoslavia and the Commonwealth of Independent States.

Supporting multilateral and regional mechanisms to address regional conflicts should be a high priority for U.S. policy in the decade ahead. Like trade liberalization, resolving regional conflicts could consume a great deal of policy attention without requiring significant budgetary resources. *Postconflict regional development*, on the other hand, must have a substantial claim on multilateral development funds.

Multilateral Reconstruction Fund. Establish a Multilateral Reconstruction Fund (MRF), with an annual U.S. contribution of \$0.2 billion. With contributions from other countries, and assuming the U.S. share is held to 25 percent or less of total

contributions, available MRF resources could total over \$4 billion within five years.

The Multilateral Reconstruction Fund should be a vehicle for rapid international response to the special needs of areas emerging from conflict. It should support critically needed projects with short- to medium-term impact. A country disrupted by civil war, for example, might need reconstruction of a vital bridge or restoration of water and electricity supplies. Support from the MRF would depend upon an internationally recognized peace accord and might be accompanied by a United Nations peacekeeping mission.

A modest U.S. contribution to the MRF would encourage participation by other donors and provide leverage for major contributions by other countries. The MRF would provide infrastructure investment and loan guarantee programs of sufficient magnitude to encourage foreign and domestic private enterprises to invest in rebuilding regions. Assistance provided through the MRF, like that provided by the multilateral development banks, should not be tied to the purchase of goods and services from the donors.

The MRF could be part of the United Nations, or it could function as a special "window" of the World Bank, where it could draw upon the bank's large reservoir of engineering and technical expertise. A fund specifically dedicated to the problems of postconflict reconstruction, together with debt relief, expanded refugee assistance, and peacekeeping efforts, would have a major impact on the people affected by these conflicts and on fueling the engines of economic development.

Middle East Peace Account. Create a separate Middle East Peace Account starting with \$2.0 billion in Economic Support Funds (ESF). When matched by \$3.1 billion from the defense budget,

the proposed amount is equal to all military and economic assistance currently designated for Israel and Egypt in the President's budget.

Future events in the Middle East remain highly uncertain, and a resolution of tensions in that region presents U.S. policymakers with enormous challenges. In the past year, the United States led a major war in the Persian Gulf and convened negotiations involving Israel, Arab nations, and the Palestinians. While obstacles to success remain formidable, the administration is persevering in its search for a comprehensive Middle East peace settlement. It is essential that this effort continue.

These ongoing peace efforts and the continued high levels of uncertainty about future developments mean that the creation of a separate Middle East Peace Account, recommended in the FY1992 Alternative Budget, remains a viable proposal. Unlike the current practice of country-specific appropriations, funds in the Middle East Peace Account would be appropriated without specific country or program earmarks and without fiscal year limitation to provide U.S. policymakers with greater flexibility in negotiations. Recommended funding totals after FY1993 may need to be adjusted as negotiations proceed.

Under the Middle East Peace Account, a clearly defined level of resources would be linked to specific policy objectives. Policymakers would be able to draw upon the account, replenish it, or expand it as needed. Further, as was recognized in the supplemental appropriations bill for increased assistance to Israel in connection with damages incurred during the Gulf war, special increases should be made without reducing funding for other priorities in the international affairs budget.

Refugee Assistance. Increase funding for refugee assistance programs to \$0.8 billion in FY1993 to meet growing human needs in this area.

Many developing countries in Africa and South Asia admirably try to provide for refugees despite their own poverty. But international assistance remains crucial. Unfortunately, while the number of refugees has grown, U.S. contributions to international refugee organizations have not increased. On a per capita basis, U.S. support for overseas refugee assistance declined from about \$25 per refugee per year in 1980 to about \$12 in 1990.⁴⁰

Increasing refugee assistance to \$800 million in FY1993 would restore aid levels to approximately \$25 per refugee. Further increases to \$950 million by FY1997 will ensure adequate resources are available; in areas emerging from regional conflicts, refugee assistance activities should be integrated with reconstruction efforts.

United Nations Peacekeeping. Support the President's request for increased funding for U.N. peacekeeping to \$0.5 billion in FY1993, including arrearages.

The end of the Cold War has allowed the resolution of several long-standing regional conflicts in the developing world, while the dissolution of the Soviet empire has unleashed new ethnic and regional conflicts. The United Nations, often criticized for its ineffectiveness during the Cold War, has played a crucial role in negotiating an end to hostilities. A central part of these agreements has been the commitment of U.N. peacekeeping forces to oversee the difficult transition to peace. The price of peace is minuscule compared with that of war, but the transition to a more peaceful and stable world will have a cost: U.N. peacekeeping operations worldwide may approach \$3.1 billion in 1992.⁴¹

The President's FY1993 budget states that U.N. peacekeeping operations "have been critical to the implementation of peacekeeping agreements supported by the United States. . . ." The budget request of \$460 million (including \$22 million for arrearages) is more than twice last year's estimate due to new needs for peacekeeping operations.

These important peacekeeping programs must be given increased priority. The President's FY1993 budget request for U.N. peacekeeping operations should be approved. Funding may need to be expanded in future years as the full extent of peacekeeping requirements in Cambodia, Central America, the Western Sahara, the Middle East, and other regions in transition become known. However, such additional peacekeeping requirements are legacies of the Cold War and should be covered by transferring funds from the defense budget.

EXPANDING MULTILATERAL COOPERATION FOR ECONOMIC DEVELOPMENT

The United States remains the dominant voice in the Bretton Woods institutions and has considerable influence in all the regional development banks. The multilateral organizations are among the most influential development agencies: their programs are targeted on key sectors in developing countries; they exert considerable leverage in encouraging policy reforms; and they are staffed with able and experienced specialists.

Nevertheless, they need to adapt their policies to meet new challenges, most notably in the areas of promoting environmental sustainability, reducing military expenditures, and renewing the attack on poverty. They also need to allow more local participation in project selection and

implementation, adopt more open operating procedures that would make such participation possible, and ensure that the benefits of projects are equitably distributed.

Multilateral development institutions promote U.S. global interests in a variety of ways. The World Bank, in particular, is a major force for market-oriented policy reforms and is taking an increasingly important role in alleviating poverty and supporting environmentally sustainable development. The International Monetary Fund, the World Bank, and the European Bank for Reconstruction and Development will be the major institutions supporting both economic and political liberalization in the emerging economies of Eastern Europe and the CIS. Finally, the multilateral banks act as catalysts for mobilizing financial flows from other donors and commercial investors.

Multilateral Development Banks. Increase U.S. support for the banks' "soft loan" windows, which lend on concessional terms to the poorest countries. Specifically, the President's budget request should be increased by \$0.2 billion per year to \$2.0 billion, starting in FY1994, to allow for U.S. participation in the next replenishment of the International Development Association (IDA).

The President's budget request includes sufficient funding to meet current U.S. obligations to multilateral development institutions. However, the administration will soon be involved in negotiations concerning the scheduled replenishment of IDA, the arm of the World Bank that provides long-term concessional loans for low-income developing countries. Not only are these countries most in need of outside concessional support, but also the number of countries eligible for IDA resources has grown as a result of the economic crisis facing many developing countries.

The United States now provides \$1.1 billion per year, more than 22 percent of total IDA contributions.⁴² Although the size of the next replenishment and the U.S. share are still under negotiation, IDA will have to be increased by 4 percent simply to remain level in real terms. If the needs of newly eligible countries and of new priorities such as the environment are taken into account, the U.S. contribution to IDA should increase to \$1.3 billion a year.

TRANSFORMING BILATERAL DEVELOPMENT COOPERATION

No programs in the budget are more in need of change than those designed to promote development in specific countries. New programs are needed to meet emerging global threats, including severe environmental degradation, rapid population growth, the spread of new strains of diseases, and the continued misery of more than one billion people living in absolute poverty. Bilateral aid needs to be redesigned to meet common global challenges more effectively.

Multilateral development institutions such as the World Bank will play a dominant role in meeting these challenges, but bilateral development agencies of many nations, including the United States, will continue to make substantial and in many cases unique contributions. The diversity of a wide range of bilateral programs offers the opportunity to experiment and find the best methods to deal with problems of common concern. The United States, with expertise developed over the years, has distinct comparative advantages around which it should build a transformed bilateral assistance effort.

While bilateral assistance programs remain important, many in Congress and the development community are concerned that USAID is

inadequate to meet today's challenges. In fact, the President's Commission on the Management of A.I.D. Programs concluded in March 1992 that USAID does not have "... the clout and flexibility required by the rapidly changing world of the 1990s."⁴³

The agency has a solid cadre of professionals, a valuable field organization, and some substantive strengths. However, USAID is dominated by short-term concerns rather than long-term planning, and it has only a minor voice in setting U.S. development policy priorities. In addition, the agency is hobbled by too much specific congressional direction on how and where to use its funds. It would have difficulty regaining its former stature.

In the early 1960s, the United States supplied nearly 60 percent of worldwide development assistance; today, it supplies only 21 percent of worldwide aid.⁴⁴ Japan has emerged as the second largest donor, and there are many more aid providers—bilateral and multilateral, public and private—than the traditional industrial country donors. There are also a host of new aid claimants, most notably in Eastern Europe and the CIS. The United States needs a new approach to the management of its bilateral assistance efforts. It must use its resources strategically to help set agendas and to leverage support from others. It should target a selected number of major global problems, and it should allocate resources on a competitive basis to those development agencies most effective at meeting a particular development need.

A Sustainable Development Fund. Establish a Sustainable Development Fund (SDF), with initial funding in FY1993 of \$2 billion per year, to address global development challenges specified by Congress and the President.

The Sustainable Development Fund would be a source of funding for global cooperation, not an operational agency. The SDF would introduce competition into U.S. bilateral development programs, channeling its resources through other U.S. government agencies, private voluntary organizations, multilateral institutions, and other entities.

The recommendation in the FY1992 Alternative Budget to establish the SDF was received with considerable interest, but so far the fund has proved to be too far-reaching a reform of U.S. development efforts to be pursued by either the administration or Congress. This is unfortunate because the piecemeal reforms now under consideration will be inadequate to meet the challenges of the coming decade.

Creating a Sustainable Development Fund remains an urgent priority. Part III describes in detail how the SDF should be organized, followed by strategy papers outlining possible SDF programs.

Development Fund for Africa. Increase funding for the Development Fund for Africa (DFA) from \$0.8 billion, as requested in the President's budget, to \$1 billion per year beginning in FY1993.

Congress established the Development Fund for Africa in 1987 in recognition of the urgent and special nature of problems in Sub-Saharan Africa. The idea was that minimal legislative restrictions and conditions would allow for more innovative approaches to problems in the region.

The FY1992 Alternative Budget recommended that DFA program levels be increased to \$1.0 billion per annum by FY1994. The House of Representatives implicitly endorsed the recommendation by providing this amount in its version of the FY1992 foreign assistance appropriation, but the continuing resolution

contained only \$0.8 billion. Unfortunately, the President's FY1993 request for \$776 million is below his 1992 request. In view of the major development needs in Africa and the recognized accomplishments of the DFA, this scaling down is not advisable.

The House appropriation level of \$1.0 billion for FY1992 should be continued in FY1993 and sustained through FY1997.

Assistance to Russia and other republics of the CIS. Support the President's proposals for U.S. participation in multilateral assistance efforts to help Russia stabilize and restructure its economy and provide \$0.4 billion in bilateral support to meet urgent humanitarian needs in Russia and other republics of the CIS.

On April 1, 1992, the President announced that the United States had reached agreement with other leading industrial countries for a comprehensive multilateral aid program for Russia and other republics of the CIS. Included in this package is \$18 billion to help Russia stabilize and restructure its economy, \$6 billion to help stabilize the Russian ruble, and early membership for Russia and other new republics in the International Monetary Fund (IMF).

To a great extent U.S. participation in this multilateral effort will be financed through already agreed upon programs of the international financial institutions. The budget costs of this effort are already reflected in the President's international affairs budget request (\$0.4 billion) as well as in credit provided by the Commodity Credit Corporation. Consequently, it does not appear that the President will request substantial amounts of new budget authority to implement these proposals.

The President's proposal recognizes that the republics of the CIS are in the midst of a precarious transition to democracy and market-oriented

economic systems. Support from the United States and other developed countries is urgently needed to increase the prospects of an orderly transition from communism to democracy for these countries. The funds needed to accomplish the President's plan should be approved by Congress.

Peace Corps. Double the number of Peace Corps volunteers by the end of the decade, increasing funding to \$0.3 billion in FY1994.

The FY1992 Alternative Budget recommended that the number of Peace Corps volunteers be increased from the current level of just under 6,000 to approximately 10,000 by the end of the decade. The benefits to host countries and individual American volunteers are unquestionable. The Peace Corps is currently enjoying a substantial upturn in the number of applicants, large numbers of whom are fully qualified.

With the end of the Cold War, the demand for Peace Corps volunteers has grown. The Peace Corps has expanded into Eastern Europe and the Baltics and may soon begin sending volunteers to the CIS. A number of African countries, including some recovering from recent civil conflicts, have asked that the Peace Corps establish (or re-establish) programs in their countries.

Rather than continue to turn away increasing numbers of aspiring volunteers and limit the much-needed expansion of the Peace Corps into new countries, the number of Peace Corps volunteers should be doubled. The budgetary costs of this buildup are minimal—an increase of \$25 million to \$245 million in FY1993, growing to a total budget level of \$340 million by 1997.

Paying the Bill: Eliminating Outdated Programs

The President's budget for FY1993 proposes to reduce security assistance by 8 percent from FY1992 but continues many Cold War programs that are no longer necessary. The Alternative Budget proposes to eliminate or reduce many of these outdated programs, saving \$25.3 billion over the period FY1993 to FY1997 (Table 2). These savings are adequate to pay for all new programs proposed in the Alternative Budget without exceeding budget ceilings. (It would not be necessary to divert resources from the defense budget to carry out these new initiatives. However, the potential size and use of the "peace dividend" is examined in Box 2.)

*Security Assistance to NATO countries.
Eliminate security assistance, including Foreign
Military Financing for NATO countries, and*

reprogram the annual savings of \$0.8 billion to meet current U.S. international interests.

As part of its forward strategy aimed at containing the Soviet Union, the United States has long maintained military bases in a number of southern NATO countries—Portugal, Spain, Greece, and Turkey—as well as in the Philippines. Host countries not only increased their national security as a result of these arrangements, but they also received direct financial compensation in the form of "rent" for U.S. use of facilities on their territory. The President's FY1993 budget continues these arrangements for Greece, Portugal, and Turkey.

The political and economic rationale for these arrangements no longer exists. The Soviet Union no longer threatens Western Europe, and European countries in general are now wealthier than when

TABLE 2. SOURCES AND AMOUNTS OF FUNDING FOR NEW INITIATIVES

(\$ billions in budget authority)

Program Action	Amount By Which President's Budget Could Be Reduced				
	FY1993	FY1994	FY1995	FY1996	FY1997
End Security Assistance to NATO Countries	0.8	0.8	0.8	0.8	0.8
Transfer Non-NATO Foreign Military Financing to Defense Budget	3.5	3.5	3.5	3.5	3.5
Reduce USAID	—	0.5	0.7	0.9	1.0
Consolidate International Broadcast Services	—	0.2	0.3	0.3	0.4
Annual Savings ^a	4.2	4.9	5.2	5.4	5.6

TOTAL SAVINGS FY1993-FY1997: \$25.3 BILLION

^aTotals may not add due to rounding.

Source: Authors' calculations based on Budget of the United States Government, Fiscal Year 1993 (Washington, DC: U.S. Government Printing Office, 1992).

BOX 2. SAVINGS FROM ALTERNATIVE DEFENSE STRATEGIES

Programs in the Alternative International Affairs Budget are funded by savings achieved by eliminating or phasing out outdated international programs. Nevertheless, interest in the "peace dividend" is high, and speculation about its size and how it is to be used is widespread. It is useful, therefore, to examine what kind of savings can be generated from the defense budget.

The President's FY1993 defense budget is based primarily on assumptions about U.S. security requirements prevailing at the time of the 1990 Budget Summit Agreement. It proposes to reduce defense expenditures about 3 percent between FY1992 and FY1997. This would save approximately \$50 billion from the Budget Summit Agreement total of \$1.7 trillion for that period.

However, the demise of the Soviet Union as a political entity and other developments make the Budget Summit Agreement assumptions outdated and the proposed reductions insufficient. A number of sources in and out of government are analyzing the possibility of additional defense cuts. This graph compares spending under the President's defense budget for the period FY1992 through FY1997 with three alternative options: the "low option" of a Brookings Institution study; the low option proposed by Congressman Les Aspin (D-Wisc.), Chairman of the House Armed Services Committee (called Option "A" in his study); and a zero-based option that approaches U.S. defense needs from the ground up.

Published in 1991, the Brookings Institution "low option"—like the President's budget—assumes that 1) the United States should continue to commit substantial U.S. resources to the defense of Europe, and 2) U.S. forces must be capable of mounting major military operations on short notice to meet potential threats from the Soviet Union, North Korea, the Middle East, and some unknown contingencies. However, this option calls for a "more realistic appraisal of the

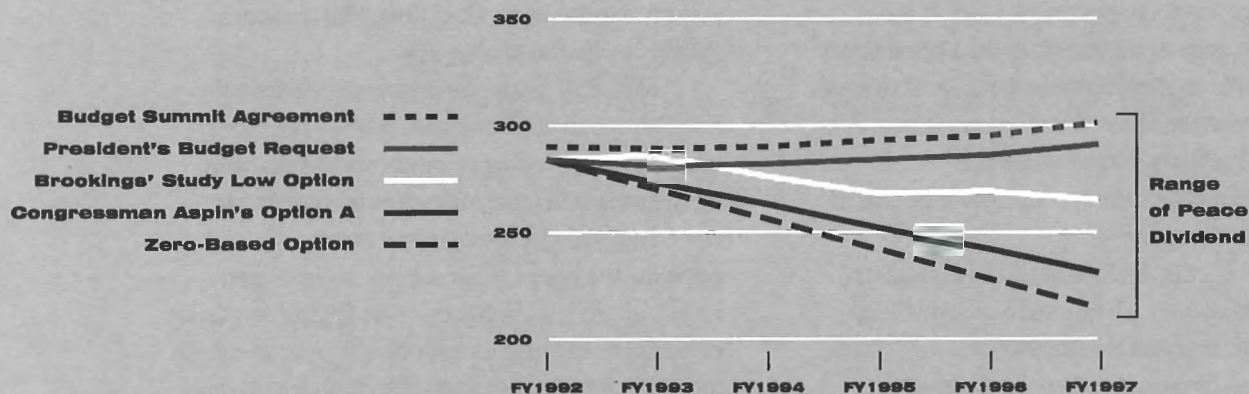
international environment" and concludes that smaller forces are adequate.¹ In the Brookings Institution study, "low option" defense spending would be well below the President's proposed level by FY1997 and would save \$104 billion from the budget summit baseline in the period FY1993 to FY1997.

Congressman Aspin showed that even greater savings are possible through a "bottom-up review" of U.S. forces rather than simple incremental reductions. He assumed that training bases, strategic forces, and research and development programs would be maintained at current levels. Aspin concluded that "pre-war Iraq was larger than any of the other single threats we are likely to engage" and that minimum U.S. security needs could be met by maintaining conventional forces equivalent to those needed to mount Operation Desert Storm.² Adoption of this force structure (Option "A" in the Aspin study) would result in savings of \$207 billion in the period FY1993 to FY1997 from the Budget Summit Agreement projections.

Even lower costs are possible if future defense force requirements are approached from a zero base rather than by modifying the existing structure. A zero-based force alternative would start with no preconceived force structure requirements and would ask the question, "If we had no defense establishment, what would we buy?"

A rough estimate of a zero-based option shows that defense expenditures could be as much as \$87 billion below the 1997 Budget Summit Agreement projection. This reduction could be achieved, for example, if it were decided that the United States no longer needs to fund the approximately 60 percent of the conventional force structure dedicated to repel on short notice a massive attack by Warsaw Pact forces on NATO territory. Total savings from the Budget Summit Agreement baseline for the period FY1993 to FY1997 could be more than \$250 billion.

ALTERNATIVE DEFENSE SPENDING OPTIONS (\$ billions in budget authority)



Note: Authors assume President's FY1992 defense budget request will be adopted. All options are adjusted to start at that point.

Sources: Authors' calculations based on various reports by the Committee on the Budget and U.S. House of Representatives; Representative Les Aspin (D-Wisc.), Chairman of the House Armed Services Committee, "An Approach to Sizing American Conventional Forces for the Post-Soviet Era," February 25, 1992; and John Steinbruner and William Kaufmann, *Decisions for Defense: Prospects for a New World Order* (Washington, DC: Brookings Institution, 1991).

What specific forces are retained or eliminated is not as important as agreeing that current assumptions about threats to U.S. military security must be discarded and future military budgets redesigned from the ground up to meet new circumstances. When that has been done, Congress and the President can decide how much extra threat insurance against unknown risk should be bought rather than debate how much can be given up.

These alternatives indicate that additional defense savings are possible, ranging from \$100 billion to more than \$250 billion more than those in the Budget Summit Agreement. Whatever levels are eventually agreed upon, there will be many claimants for the freed-up funds. Certainly, domestic needs deserve priority, but it seems appropriate to continue to use at least some of the defense savings to meet the opportunities brought about by the end of the Cold War, particularly economic and political transition in the Commonwealth of Independent States.

A favorable outcome to this transition should

be one of the highest priority U.S. foreign policy objectives. It is entirely appropriate to utilize defense budget savings to fund U.S. participation in international efforts to support economic and political stabilization in the CIS.

However, the basic recommendations in the Alternative Budget do not depend on diverting resources from the defense budget to the international affairs budget. The funds available within the international affairs budget are sufficient to meet U.S. international interests in the 1990s if policymakers in Congress and the executive branch are willing to end Cold War and other outdated programs.

¹ William W. Kaufmann and John D. Steinbruner, *Decisions for Defense: Prospects for a New Order* (Washington, DC: The Brookings Institution, 1991).

² Representative Les Aspin, Chairman, House Armed Services Committee, "An Approach to Sizing American Conventional Forces for the Post-Soviet Era: Four Illustrative Options," February 25, 1992.

base rights payments began decades ago. It is no longer appropriate or necessary for the United States to bear the sole responsibility for the costs of defense arrangements in which the United States is not even the prime beneficiary. If mutual defense arrangements are continued, costs should be shared by the European countries.

Events during the Persian Gulf war support this recommendation. The United States provided military leadership and the majority of armed forces, but the added budget costs were borne by other countries. Because U.S. financial resources are limited, the burden of defense should be shared among beneficiaries. In the current "base rights" countries, the U.S. share should be limited to the commitment of its forces, the costs of which are in the defense budget.

Discontinuation of security assistance to NATO countries would save \$0.8 billion per year (\$0.1 billion in Economic Support Funds and \$0.7 billion in Foreign Military Financing) that could be used to meet other international affairs objectives.

Foreign Military Financing. Transfer non-NATO Foreign Military Financing (FMF) to the defense budget and reprogram the annual savings of \$3.5 billion to meet current U.S. international interests.

The President's FY1993 budget requests \$4.2 billion for FMF, making it the single largest program in the international affairs budget. As noted earlier, \$0.7 billion for NATO countries should be eliminated entirely. The remaining \$3.5 billion should be transferred to the defense budget, where FMF was located until the mid-1970s, when it was transferred to the international affairs budget.

Shifting FMF back to the defense budget will allow it to be evaluated against other national

security expenditures. Over time, FMF programs should be eliminated altogether.

Most FMF arms transfers were justified by Cold War conflicts. Continued concessional arms transfers to developing countries are at odds with the growing belief that military expenditures can exacerbate regional conflicts and are an unproductive use of economic resources. Other industrial nations already use their foreign assistance programs to encourage developing nations to reduce their military establishments. The United States can make a significant contribution to this effort by eliminating concessional arms transfers except in emergency situations.

Transferring FMF to the defense budget would save \$3.5 billion per year—a total of \$17.5 billion over five years—that can be reprogrammed in support of current international interests.

U.S. Agency for International Development. Cut USAID funding levels by \$3.1 billion between FY1993 and FY1997.

By the mid-1990s, the proposed Sustainable Development Fund would be the major vehicle for U.S. bilateral assistance. USAID would continue as a delivery agency but would have to compete with other organizations for SDF funds. Accordingly, the resources directly appropriated to the agency by Congress should gradually be reduced. A gradual reduction will allow the orderly completion of ongoing multiyear projects, retain a limited number of directly financed USAID programs, and let any personnel reductions resulting from the launching of the Sustainable Development Fund take place by attrition.

Other existing development programs, including the Peace Corps, the Inter-American Foundation, the African Development Foundation,

and smaller organizations such as Appropriate Technology International, will continue to receive direct funding from Congress and could compete for additional resources through the SDF.

Radio Broadcasting Activities. Reduce and consolidate international broadcasting services to obtain savings of \$1.2 billion over five years.

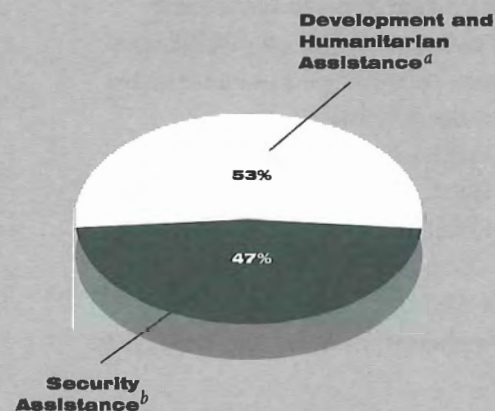
Few nondefense programs are more identified with the Cold War than the radio stations of the Board for International Broadcasting (Radio Free Europe and Radio Liberty) and the U.S. Information Agency's Voice of America. These stations broadcast to the CIS, Eastern Europe, Afghanistan, and other countries once dominated by the Soviet Union and China. Radio Free Europe and Radio Liberty were established to provide alternative news networks for these countries, and the Voice of America was charged with telling the American story to the world through news and feature programming.

These stations performed an essential service for a long time, but the world has changed. The people of Eastern Europe and the CIS are free to listen to any broadcasts they wish, and their own radio stations, television stations, and newspapers freely report the news. In many countries throughout the world, those with a command of English can watch Cable News Network (CNN)—at no cost to the U.S. taxpayer.

U.S. government-sponsored broadcast activities should be scaled down and consolidated under either the Board of International Broadcasting or the U.S. Information Agency.

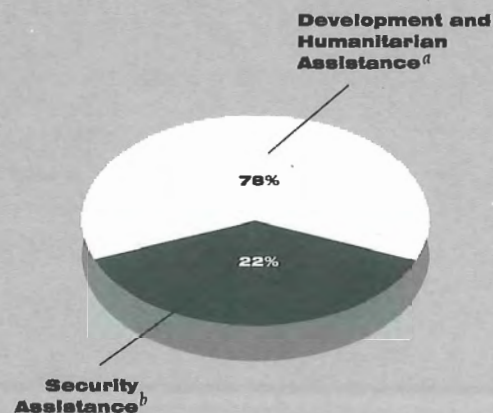
FIGURE 2. AN EMPHASIS ON DEVELOPMENT, FY1993 (percent)

PRESIDENT'S REQUEST, FY1993



TOTAL FOREIGN ASSISTANCE: \$15.8 BILLION

ALTERNATIVE BUDGET, FY1993



TOTAL FOREIGN ASSISTANCE: \$14.4 BILLION

^aIncludes bilateral and multilateral aid for development, P.L. 480, Peace Corps, refugee assistance, and other special development initiatives.

^bIncludes Economic Support Funds, Foreign Military Financing, and International Military Education and Training.

Source: Authors' calculations based on Budget of the United States Government, Fiscal Year 1993 (Washington, DC: U.S. Government Printing Office, 1992).

An Emphasis on Development

The United States must shift its foreign assistance program away from outdated security considerations toward addressing global challenges. Foreign assistance, comprising the categories called “International Security Assistance” and “International Development and Humanitarian Assistance” in Figure 1, represents the bulk of the international affairs budget.

The initiatives and changes in funding levels proposed in the Alternative Budget would make development and humanitarian assistance more than

three-quarters of the total foreign assistance budget (Figure 2). This shift is possible because of the current international political context and necessary because it more effectively advances U.S. domestic and international interests than do current spending practices.

Foreign assistance is only one of many foreign policy tools. But it can make a major contribution if it is reorganized to be more effective and to better advance American interests and ideals.

Part III. Sustainable Development Fund

A New Approach to Bilateral Development Cooperation

The end of the Cold War presents the United States with the opportunity to redesign its development assistance program to better promote sustainable development and global economic growth. A concerted, integrated attack on poverty, environmental stress, and population growth is an essential component of this strategy.

Although multilateral institutions and programs will increasingly dominate the development process in the years ahead, bilateral development cooperation will still have an important role to play. There is, however, growing skepticism in Congress and elsewhere about the effectiveness of the U.S. Agency for International Development and an emerging consensus that the United States needs a new organizational focus reflecting the needs and policy environment of the 1990s.

The FY1992 Alternative Budget contained a proposal for the creation of a Sustainable

Development Fund to replace USAID as the centerpiece of U.S. bilateral development cooperation. The proposed SDF will be a new mechanism for funding the address of global development challenges jointly agreed on by Congress and the President. The SDF is designed to increase the effectiveness of bilateral aid by introducing competition into the allocation of U.S. bilateral aid resources. There now are many more competent public and private development agencies than when USAID was established three decades ago; competition among these agencies will lead to more efficient and effective development programs.

The SDF will focus explicitly on the interlinked nature of poverty, environment, and development problems. It will identify a set of achievable goals to be the main focus for U.S. development cooperation. When the fund is in full operation, most U.S. bilateral aid will flow through the SDF.

A New Kind of Development Agency

The Sustainable Development Fund will have the following characteristics.

- *It will focus on a limited set of high-priority achievable development challenges, jointly agreed on by Congress and the President.* Issues should be chosen because they are fundamentally important to the future well-being of developing countries, address a number of interrelated problems, reflect long-term American interests and values, and build on particular U.S. strengths. Additionally, the chosen issues should hold promise of measurable results in a defined period of time, similar to past efforts to eliminate smallpox or provide universal immunization for children under five against major childhood diseases. (The strategy papers in Part IV illustrate some potential high-return activities for the SDF.)

- *It will be a competitive "wholesaler" of development assistance resources.* The SDF will be a source of funding for global cooperation rather than an operational agency. It will introduce an element of badly needed competition into U.S. bilateral development cooperation, channeling resources through U.S. government agencies, multilateral institutions, private voluntary and nongovernmental organizations in this country and abroad, universities, and cooperatives, among others. No single operating agency, including USAID, will have exclusive rights to SDF resources. This will allow the SDF to cooperate with a range of institutions within the United States and in developing countries.

- *It will help establish a new relationship between Congress and the President on development priorities.*

Once Congress and the President agree on priorities, SDF grants will be confined to these subjects until the list is revised by further legislation.

Congressional appropriations will be allocated to these priority areas, leaving the SDF substantial discretion in implementation of programs.

At the same time, Congress will have a role in SDF's evaluation process. Ongoing assessment by SDF personnel of what is accomplished with the fund's grants will be an integral element of the operation. In addition, however, a separate and independent evaluation unit, analogous to the World Bank's Operations Evaluation Department, will undertake in-depth evaluations of SDF projects and programs. These evaluations will be available to members of Congress and relevant committees. (This process will be even more useful if Congress adopts the recommendation of the House Foreign Affairs Committee's Task Force on Foreign Assistance to establish a "Foreign Assistance Oversight Subcommittee" to monitor assistance programs and policies closely.)

- *It will be responsive to developing countries' own perceptions of their priorities and needs.* Those who bid for SDF funds will be required to demonstrate the active support of relevant national, provincial, and/or local governments and nongovernmental organizations in the countries in question.

Organizational Characteristics of the SDF

The Sustainable Development Fund is a long-term initiative whose scale, organization, and doctrine should be developed incrementally over a period of approximately five years. The specific organization of the SDF should be determined as part of the implementing legislation, but the following measures could contribute to its effectiveness.

- *The SDF should not be subordinated to any single existing line department or agency.* The SDF will only work if it has the strong backing and attention of the President and Congress.⁴⁵ The head of the SDF must be a dynamic, highly respected leader of cabinet rank, appointed by the President and subject to Senate confirmation. In addition to managing the SDF, the appointee will chair an advisory committee, consisting of himself/herself and the secretaries of State, Treasury, Agriculture, and Commerce, or their senior deputies.

The SDF will need a small but strong staff; it will not be difficult to attract an exceptionally able staff if the SDF has the kind of leadership, centrality, and budgetary clout proposed. The staff will define programs based on its own analysis and proposals

and input from a wide variety of official and private developing-country sources.

- *It should be endowed with no-year or multiyear funding.* To enable the SDF to conduct its operations and planning on a long-range basis, and to allow it to enter into multiyear contracts with operating agencies, the SDF should be provided with multiyear funding. A considerable portion of SDF assistance should be untied to maximize the effective use of resources.

- *It should maintain effective relations with the private sector, including nonprofit and for-profit organizations in the United States as well as internationally.* In part, this can be achieved by inviting private organizations to compete for SDF funding. The SDF should also establish an eminent advisory council. The membership should come from the relevant private sectors and from research institutions and private foundations. Individuals could also be drawn from multilateral agencies and developing countries. The advisory council should have an important role in the design and conduct of SDF operations.

Comparing SDF and USAID

How does the proposed Sustainable Development Fund differ from USAID, particularly since USAID's operations have become heavily dependent in recent years on the use of consultants and private firms? The differences are considerable.

- The SDF will not be an operational agency; it will provide financing on a competitive basis for development agencies with a proven capability.

- The SDF will focus on a limited number of global problems jointly agreed upon by Congress and the President. Its activities will be targeted on achievable results.

- The SDF will be open to all bidders. Current USAID contractors will not be excluded, but the SDF will involve a greater variety of for-profit and nonprofit organizations in both developed and developing countries.

- The SDF will be flexible and responsive. It will be free of the mind-boggling thicket of rules, regulations, earmarks, and other impediments to effective programming with which Congress and the executive branch jointly have encumbered U.S. bilateral assistance over the years.

- The SDF will have a long-term focus, not looking for immediate solutions or making allocations to particular countries based on the foreign policy need of the moment.

Funding for the SDF

It will take some time for the SDF to define its priorities, to translate them into programs, and to choose private contractors or public agencies to implement them. In the meantime, the SDF must have sufficient funding to enable it to plan for an expanding program and to launch multiyear initiatives.

The Alternative Budget includes funds to launch the SDF with \$2 billion in FY1993, increasing gradually to \$5 billion in FY1997. As its competence and outreach grow in such areas as poverty, employment, rural development, human resources, the environment, health, and population, there should be a reciprocal decline in direct appropriations to USAID (which could, however, be a retailer of SDF business).

The world has changed and the United States no longer can do everything everywhere. The U.S. bilateral aid program is now one among many and needs to operate more strategically. By focusing on a carefully chosen set of sustainable development challenges, the United States can help set the agenda for other donors and for developing countries themselves.

Part IV. SDF Strategy Papers

Potential Priorities for a New Development Agency

The Sustainable Development Fund (SDF) changes the focus as well as the procedures for U.S. bilateral development aid. Development assistance is now less important than trade and finance to the welfare of the developing countries, and the United States is no longer the dominant aid supplier. Nevertheless, the United States can effectively promote sustainable development if it focuses its resources on specific, carefully selected development challenges.

The current U.S. bilateral aid program has a multitude of objectives and no focus. The success of the SDF, therefore, requires that the President and Congress select a limited number of development challenges to be addressed, perhaps only five or six, but no more than ten. The specific objectives will be negotiated between the administration and Congress, with full cognizance of developing countries' needs and preferences. The choices, however, will not be easy.

The following strategy papers, written by experts in their respective fields, propose that the focus areas for the SDF should include agriculture, rural employment generation, health, and population.

The proposals illustrate potential SDF priorities. The authors differ both in the degree of specificity within their respective papers and in their approaches to particular development challenges. Nevertheless, a number of common themes emerge.

- The SDF should fund critical needs that are currently underfunded and for which necessary knowledge and technologies already exist (agriculture, health, population).

- In selected instances, the SDF should fund innovative projects in key sectors where development assistance has had mixed success in the past (rural employment, health).

- The SDF should emphasize, where possible, cost-effective *preventative* programs (improving agriculture prevents famine, primary health care initiatives prevent illness, reducing population growth prevents environmental degradation and increased poverty).

- The SDF should promote coordination of activities among sectors to address interrelated problems (poverty reduction requires both increases in productivity and decreases in population growth).

- The SDF should stress *cooperative* ventures, pooling the resources and expertise of donor and recipient countries.

- Where appropriate, the SDF should emphasize collaborative research activities between developed and developing countries to help solve problems of mutual concern.

- The SDF should explicitly emphasize the needs of the poor.

The papers do not exhaust all possible areas of SDF activity. Other potential areas include the environment, education, and human capacity building. (Some of these will be addressed in future alternative budgets.)

The era of one-way development assistance has ended. What is needed is a new period of development cooperation, in which the benefits of cooperation and mutual development are recognized and shared by donor and recipient countries. The following strategy papers help point the way.

Slowing Population Growth

by Sharon L. Camp

The 1990s represent the most critical decade in the history of human population growth. What the world community does or fails to do in this decade will largely determine whether the world's population can be stabilized in the first half of the next century at somewhat less than double its current size of 5.4 billion, or whether it will eventually triple its current size.⁴⁶ For many countries in Africa and the Middle East, this latter course implies a six-fold increase in population. These two different population scenarios have serious implications for efforts to alleviate world poverty, protect the global environment, and promote peaceful democratic change.

Time is critical. For each decade of delay in reaching a two-child family average, the eventual population of the world will be about a billion people larger and stabilization will take considerably longer. For example, if by the end of this decade, three-quarters of the world's couples, on average, practice some method of family planning, the world could expect to reach a two-child family average between 2010 and 2015. This would result in population stabilization before the middle of the next century at slightly over nine billion people. But if a two-child family average is not reached until around 2060—the likely result of current levels of international effort—world population will not stabilize until it reaches at least 14 billion people (see Figure 3).

U.S. Interests in Population Stabilization

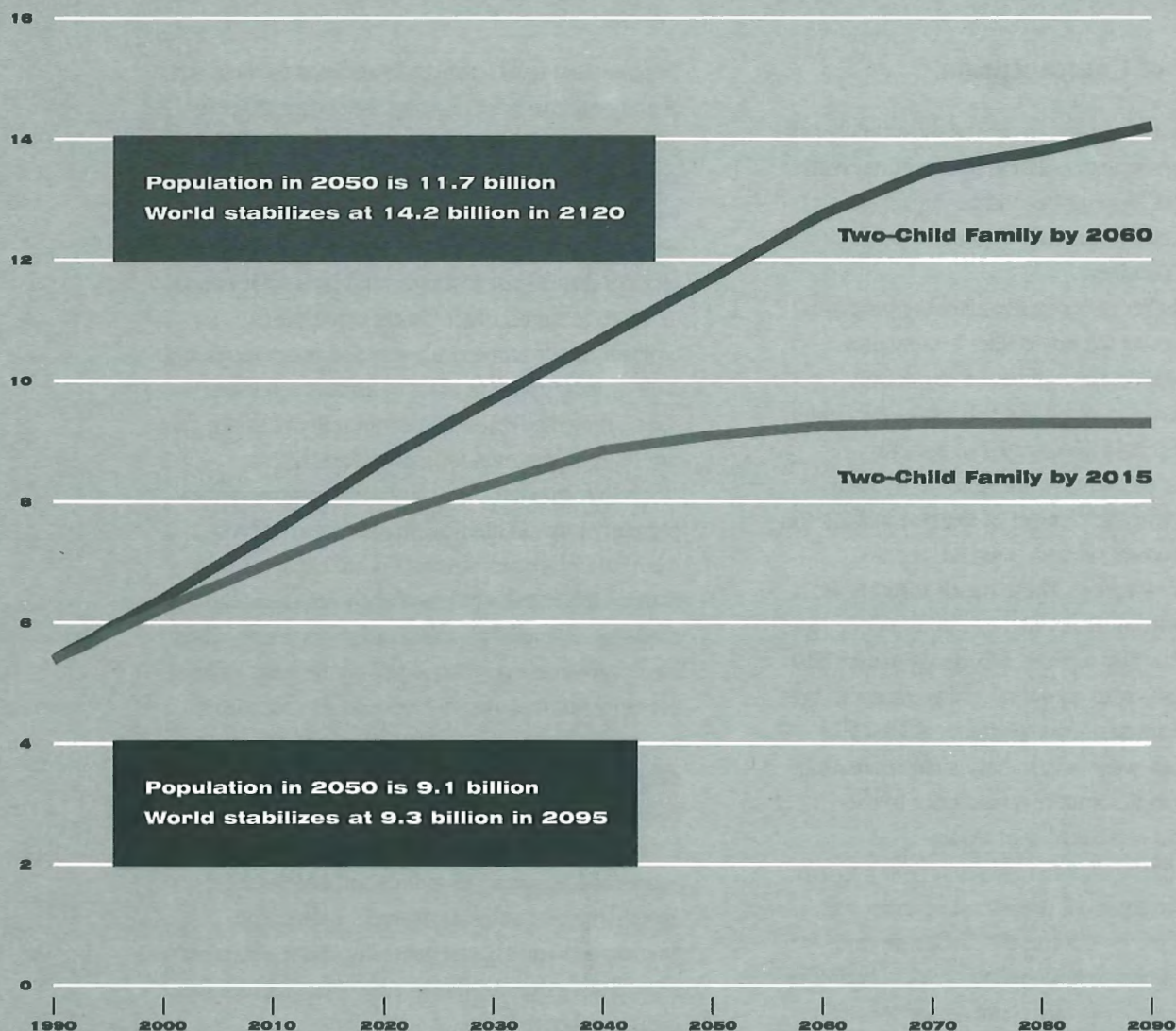
Few global problems affect U.S. national interests as broadly as population growth. Virtually all developing countries in which the United States

has strong economic or strategic interests suffer from population pressures sufficiently serious to undermine their future political viability. Population growth has contributed to holding down gains in per capita income in many Asian and Latin American countries that could be (and during the 1970s were) increasingly important markets for U.S. exports. Rapid population growth has also made it more difficult for the poorest countries to handle mounting foreign debt.

Over the next two decades, population growth may also contribute substantially to environmental problems such as global warming, the loss of valuable plant and animal species, and air and water pollution—trends that can impinge directly on the well-being of all. Even without much-needed increases in living standards, continued industrialization in developing countries such as China and India could easily cancel out conservation or pollution control measures in the United States. Partly as a result of population increases, growing regional resource scarcities (such as water in the Middle East) may also contribute to regional tensions in areas important to U.S. interests. Finally, by aggravating poverty, environmental degradation, and political tensions, population growth contributes to the rising tide of international migration, which in turn contributes to regional political instability and to immigration pressures on the United States and other industrial countries. Most Americans understand these links and support the use of their tax dollars for international family planning.

Fortunately, after some 25 years of experience, we know how to slow population growth rates fairly quickly and cost effectively. The synergism between organized family planning programs and certain types of socioeconomic change, especially change that increases opportunities for women, can produce

FIGURE 3. ALTERNATIVE SCENARIOS FOR WORLD POPULATION GROWTH
(billions of people)



Source: Population Crisis Committee (PCC), 1990 Report on Progress Toward World Population Stabilization (Washington, DC: PCC, 1990), p.1.

a demographic transition from large to small families in less than a single generation. Factors that appear to have the greatest impact on levels of contraceptive use and family size norms include the quality and convenience of family planning services, a political climate supportive of reproductive choice and

responsible parenthood, a decline in infant and child mortality rates; an increase in women's education levels, an increase in women's economic participation and independence, and an increase in educational and economic opportunities for the poor majority.

The Role of Contraception

Family planning is by far the most timely and cost-effective single population intervention. It also has substantial benefits beyond its impact on fertility, especially in terms of health benefits for women and children.

The challenge for family planning programs over the next one to two decades is immense. During the 1990s, the number of couples of childbearing age in the world will increase by about 18 million a year—a major cause of current demographic momentum. In addition, in many countries, a growing number of married women (on average 75 percent) already want to stop or postpone childbearing. These trends together are creating an extraordinary increase in unmet demand for family planning services. Of approximately 320 million couples who do not now have access to safe and effective modern contraception, at least 125 million already want help to have smaller families; field studies indicate more would want to use services if they were readily available.⁴⁷

If world population is to stabilize at less than double its current level, contraceptive users will need to increase by the end of this decade from about 400 million to 800 million couples. Spending from all sources for family planning services in developing countries will need to rise from \$4.6 billion to \$10.5 billion (in constant dollars), with about half this amount coming from donor countries. The United States' fair share of this global budget is approximately \$1.2 billion annually by the year 2000.

If these additional resources were mobilized to provide high-quality reproductive health care, there is reason to believe that contraceptive use would rise steadily to levels needed for a two-child family average worldwide, or what demographers term

"replacement level fertility." In addition to those who already want to limit or delay childbearing, good-quality services create their own demand, since satisfied family planning clients help dispel widespread misinformation about modern contraception. By the same token, poor-quality services that offer few choices and little information, or fail to recognize their clients' other needs, typically result in many unintended pregnancies and high dropout rates. In cases of actual coercion or abuse, they may result in a community backlash that can set back progress for many years.

Unfortunately, very few developing countries currently provide high-quality services, and too many still place more emphasis on "acceptor targets" than on informed reproductive choice. Thus the challenge of family planning programs is not only to meet a possible doubling in the demand for family planning services over the next decade but also to improve substantially the quality of the services now offered. Family planning programs must also find additional ways to enhance the important synergisms between organized family planning efforts and programs to reduce child mortality, expand opportunities for women, protect the environment, and, more generally, create a sense of hope among the world's poor families that they can plan for a better future.

Difficulties in Current Population Programs

Some of the most serious political obstacles to increased international cooperation in population and family planning have arisen in the United States as a result of organized opposition from anti-abortion rights activists and others who believe that

population growth is a neutral or even positive factor in world development.

During the 1980s, aggressive lobbying by these groups resulted in low budget requests for population assistance (including zero funding in FY1983) as well as the withdrawal of U.S. support from major international organizations such as the U.N. Population Fund (UNFPA) and the International Planned Parenthood Federation (IPPF). Despite substantial increases in contributions from other major donor countries, U.S. actions have meant that international family planning funding is falling behind the increase in requests for assistance from developing countries and behind the increase in demand for services from couples wanting to have smaller families. UNFPA, for example, expects that it will fall over 65 percent short of the \$550 million requested by developing countries.⁴⁸ At the same time, U.S. development assistance for other programs in health and education that might have accelerated the trend toward smaller families declined in real terms during the 1980s.

Beginning in the mid-1980s, population assistance programs became increasingly politicized. Current policy prohibits U.S. assistance to or through any foreign organization that provides abortion information or services, even with its own funds. The policy has had a chilling effect on international commitments to population stabilization and women's reproductive rights by signaling that the U.S. government is more concerned about stopping abortion than about slowing population growth. In countries dependent on U.S. population assistance, such as Bangladesh, these restrictions have damaged the quality of reproductive health care and have almost certainly increased abortion mortality.

The U.S. retreat from leadership of world population efforts during the 1980s bears substantial

blame for the slower progress made in family planning during the last decade. According to U.N. statistics, world contraceptive use grew 43 percent and average family size declined 26 percent during the 1970s. During the 1980s, contraceptive use grew less than 15 percent and family size declined less than 9 percent.⁴⁹

The factors that gave the U.S. population program its drive and creativity in the past have been seriously compromised. Nevertheless, there are positive factors, including a core central staff of well-trained career experts in USAID committed to and in touch with the international population field, innovative global strategies, collaboration with nongovernmental organizations that carry out USAID-initiated programs, and a competitive bidding process. As a result ideas that have worked have been increased in scope and replicated in dozens of additional countries.

However, within the community of U.S. population experts and family planning advocates, there is increasing doubt that U.S. leadership in the family planning field can be restored as long as the program remains inside USAID. Despite new knowledge about how population programs can be made more effective, the USAID population program is forced by political considerations to fund less effective family planning efforts and to ignore technologies that are both effective and popular.

An SDF Program to Stabilize Population

The proposed SDF has the characteristics and operating style that would enable the United States to make a more significant contribution to world population efforts, thereby substantially improving

prospects for early world population stabilization at somewhat less than double current levels.

Within the context of the SDF, the United States should take the following measures:

1) Increase total U.S. bilateral and multilateral population assistance for FY1993 to \$650 million. From FY1994 through FY2000, the SDF should provide a 9 percent per annum real increase in funding levels, to reach a level of \$1.2 billion (in 1990 dollars).

Of this amount, 15 percent should be provided to the U.N. Population Fund, the principal multilateral agency in population; the rest should be used bilaterally.

In FY1993, 70 percent of bilateral population funds (\$387 million) should be appropriated to the SDF. These funds should be awarded (first in part and later wholly) on a modified competitive basis to activities and organizations like those that already compete for much of U.S. bilateral population assistance. These include UNFPA "multi-bi" projects (i.e., projects implemented by multilateral organizations but funded bilaterally), as well as projects conducted by IPPF and other international organizations, USAID field missions working with host-country government agencies, and U.S. and foreign nongovernmental organizations. An additional 10 percent of total bilateral population assistance funds should be allocated to the SDF each subsequent year, thereby eliminating automatic allocations to USAID by FY1996.

In the first year of the SDF, programs would not operate very differently than now, except that USAID field missions would not get first claim on the bulk of population funds and organizations and countries currently ineligible for assistance would be eligible to compete. The procedures for obligating funds could also be greatly simplified.

2) Abandon abortion-related restrictions on U.S. population assistance.

In addition to removing accumulated abortion-related restrictions, the SDF should encourage proposals for research on the health consequences of illegal abortion and on the relationship between family planning programs and levels of reliance on abortion for birth control.

3) Develop more refined strategies to assess and accelerate progress in the quality of family planning services.

The SDF should encourage proposals for funding that would carry out field assessments of quality, initiate relevant operations research, or scale up successful model programs cost effectively.

Unlike many development sectors, the population field can readily measure progress; perhaps because of the controversy surrounding population programs, greater effort has been made to demonstrate program effectiveness. Good country data are available on birth rates, death rates, rates of population increase, average family size, and levels of contraceptive use.

But real success in family planning depends not just on how many people use contraceptives but on how well and how consistently they use them over time. Thus data are also increasingly collected on the numbers of couples still using a method after one, two, or three years and on the number of pregnancies associated with a method in different settings (that is, measures of the abilities of ordinary couples to use a method effectively.) Even greater efforts need to be made to assess whether family planning services are really "user friendly." Most important is whether clients are making informed voluntary choices among a

variety of birth control methods and whether they are getting enough information about possible side effects and how a method works to use it safely and effectively.

4) Establish within the SDF a fund for global contraceptive procurement (and indigenous production where appropriate) not tied to the U.S. pharmaceutical industry or to products approved by the U.S. Food and Drug Administration (FDA).

Population experts estimate the rapid growth in demand for family planning will result in a potentially massive shortfall in contraceptive supplies around the world several years from now. There are already serious shortfalls in some countries, especially in condom supplies in countries with high prevalence of AIDS.

Through the commodity procurement program, the United States currently supplies approximately one-third of all contraceptives used in developing countries other than China. But U.S. bilateral programs generally cannot purchase non-U.S. products or products not approved by the Food and Drug Administration. This means programs spend close to double what they might to purchase some contraceptive products, while others, such as the popular injectable contraceptives, are not available at all. These problems could be eliminated if procurement was not restricted to U.S. suppliers. Not only FDA-approved drugs but also those approved by comparable drug regulatory authorities and recommended for developing-country use by the World Health Organization should be eligible.

The shift of population activities into the SDF must not jeopardize the crucial commodity procurement activity of USAID's Office of Population. Adequate supplies of affordable, good-quality commodities must be available to all SDF

projects. Although family planning programs can sometimes operate with little or no money (as in the case of some social marketing and community-based contraceptive distribution programs), they cannot operate without contraceptives.

5) In addition to the funds made available for population and family planning efforts, double U.S. bilateral funding for programs to reduce maternal and child mortality (safe motherhood programs and child survival programs).

Efforts to reduce death rates for women and children work synergistically with efforts to reduce fertility rates. The SDF should seek international cooperation in a plan to reduce maternal and child mortality rates by at least 50 percent by the end of this decade. The SDF should encourage proposals that integrate family planning programs with other reproductive health care for women and with child survival efforts, combining appropriate shares of population and health funds in a single, simple funding instrument. Existing child survival and safe motherhood programs should be important focuses of SDF human resource development programs as should an expanded program to address other reproductive health care needs, including the prevention and treatment of sexually transmitted diseases (see Lincoln C. Chen, "A New World Health Order," in this volume).

6) Pursue concrete SDF strategies to improve the social, legal, and economic status of women through preferential support for women's education, vocational training, access to credit, advocacy organizations, and investment in appropriate technology.

In many settings, giving women real choices about childbearing will require more than simply

giving them good family planning services. The SDF should initiate a global effort to eliminate adult illiteracy (mostly female) and close the gender gap in education by the end of this decade, by preferentially assisting innovative programs to reach adult illiterate women and to get and keep girls in school.

The SDF should also develop a broad program of assistance designed to increase the economic opportunity and productivity of low-income women. It should give priority to women's vocational training, microcredit schemes for women, legal reforms and assistance to ensure women's

property rights and to challenge discriminatory practices, and appropriate technology to relieve the burden of women's work inside and outside the home. Many of these activities and other women's development efforts related to agricultural extension and environmental restoration have been successfully combined with family planning education and services on a small scale. The SDF should facilitate funding for such integrated projects and, more importantly, should develop strategies for scaling them up in cost-effective ways so that they can have a significant impact on women's development and population stabilization.

Overcoming Poverty Through Rural Nonagricultural Employment

by John P. Lewis

Helping poor people in poor countries improve their own lot should be a primary purpose of U.S. bilateral assistance. It is both the right thing to do and a matter of direct concern to the United States.

Just as the United States needs to recommit itself to addressing poverty at home, in an interdependent world, it behooves powerful, wealthy countries such as the United States to focus their development programs on attacking global poverty. Such efforts do not have to be made at the expense of antipoverty efforts at home. Properly used, U.S. resources are sufficient to do both.

Self-interest also argues for aiming U.S. foreign assistance toward strengthening the poor. Denied any sense of progress, impoverished masses can generate disruptions that reverberate far beyond their own countries. Similarly, concern about the environment argues for an attack on poverty. Unassisted, the rural poor cannot avoid survival strategies that degrade their environments. Finally, slowing population growth is more difficult when poor people have insufficient security and satisfactions to make smaller families a rational choice.

The Problem of Poverty

Global poverty worsened in Africa and Latin America during the 1980s and remains as serious as ever. More than one billion men, women, and children in the developing world live in "absolute poverty"—literally on the margins of life—earning less than a dollar per day.⁵⁰ At the same time, poverty is being "feminized," as the number of households headed by women increases. For example, in some African countries one-third to one-half of rural households are headed by women.⁵¹

The link between poverty and environmental degradation is close. Sixty percent of the developing world's poorest people live in ecologically highly vulnerable areas, including arid lands, limited fertility soils, steep slopes, and poorly serviced urban areas.⁵² The rural poor are often pushed by population growth and inequitable policies onto fragile forest lands, hillsides, and arid regions, where they degrade the very ecosystems on which they depend to meet their short-term needs for food and shelter.

Economic growth, combined with policies to enhance the productivity of the poorest people and targeted, special programs for vulnerable groups, could reduce the number of poor by several hundred million within a decade. But economic growth cannot be based on past patterns in which increased economic activity led to increasing stress on both the global and the local environment. If lessons are not learned from past mistakes, the number of poor will continue to increase and the impact on the environment will be disastrous.

Reducing Poverty Through Employment Creation

The needs are vast, American resources are limited (although not inconsiderable), and the results of many past foreign aid antipoverty efforts have been disappointing. What kind of program will make a difference?

First, it should focus on the rural poor. The poor in developing countries and regions are overwhelmingly in rural areas. In 1989, 64 percent of the population of low-income countries lived in rural areas, and most people were directly or indirectly dependent on agriculture.⁵³

Second, it should generate employment. Most rural poverty cannot be corrected with handouts. The underemployed poor need opportunities for productive work. Additionally, poor people living in environmentally fragile areas must have means of livelihood that enable them to avoid despoiling their environment.

Third, most new jobs should be outside agriculture. Many developing countries already have more agricultural workers than available jobs. Agricultural growth often raises per-worker output faster than demand for farm products increases, creating a need to shift many farm workers to nonfarm employment. The goal should be to make the shifts economic rather than geographic—with workers moving into nonfarm work in their own local areas rather than going to industrial jobs and urban slums. (See John W. Mellor in this volume for a discussion of the relationship between agricultural and nonagricultural employment.)

Fourth, women should receive equal priority. Like the men, rural women in developing countries already perform a great deal of physical labor. Women are more likely than men to spend their incomes on family necessities and often need separate incomes.

Some of the need for additional rural nonfarm employment can be met by encouraging rural, often small-scale, industrialization. As farming prospers, new employment may be generated in rural marketing and service activities. Some of the rural poor, including women, can become entrepreneurs engaging not only in dairy, poultry, weaving, sewing, handicrafts, and other ancillary farming activities but also in such nonfarming activities as construction, food processing and milling, and small-scale manufacturing.

But most poor countries also need seasonal or year-round rural public works programs to reduce

unemployment and poverty. Publicly managed and/or funded public works programs, utilizing a labor-intensive strategy, can produce economically productive assets such as roads, ponds, irrigation and drainage works, reforested hillsides, and buildings and other infrastructure, while generating a large number of productive jobs.

Rural Public Works Programs in the Past

Rural public works programs are not a new idea in developing countries. Many would say they have been tried again and again and have been found wanting for several reasons.

First, public works programs often have been too small to dent massive rural underemployment. In part, they have been constrained by food shortages. Putting people to hard work and paying for it raises the demand for food, and additional supplies have often not been available. Second, these types of programs frequently have been badly designed, poorly engineered, ill managed, and prone to corruption. Finally, they have developed a reputation among partisans of the poor for aggravating inequalities. The roads, irrigation works, and other assets selected for construction often have benefited landed elites rather than the landless and nearly landless laborers who built them.

Donors are reluctant to fund public works programs because of problems such as these and a sense that there is a bad fit between program needs and the resources they can provide. Donors' primary contribution is foreign exchange; labor and other inputs to rural public works programs are overwhelmingly procured locally. But donors, including the United States, are loath to provide

foreign exchange to pay for local costs—a policy that substantially reduces their leverage over the promotion and design of rural nonfarm employment efforts.

The United States and some other donors have provided significant food aid, which can unlock food supply bottlenecks when used to “fund” public works programs. But the allocation of U.S. food aid, both within and across countries, has been driven more by domestic agricultural concerns than by developing-country antipoverty and pro-employment considerations.

Yet rural public works programs can succeed. There are, in fact, several effective models. The Indian state of Maharashtra's Employment Guarantee Scheme (EGS) has confounded skeptics for nearly 20 years by generating approximately 100 million person-days of employment per year.³⁴ At least until recently, when its authorized wages increased, EGS has remained targeted on the genuinely poor. Another example is the “Decentralization and Regional Development Project for the Disadvantaged States,” recently launched by the government of Mexico and the World Bank and embodying a set of local-option principles.

An SDF Program to Increase Rural Nonagricultural Employment

There are compelling reasons why the SDF should take up the comparatively high-risk activity of generating rural employment through public works programs.

First, the SDF can take a lead in countering the worst failing of most previous rural public works endeavors: programs typically have been designed, conducted, and funded in a centralized, top-down manner. Central planners have chosen the projects

to be built; technical inputs have been subscribed from the top; finance has been passed down without requiring local contributions; central bureaucrats or their contractors have acted as supervisors; and poor people, except for doing the work, have had little voice in the process.

An SDF rural public works initiative can give local participants (either through local governments or through nongovernmental organizations) a greater voice. It can negotiate policies for works programs that reject the notion that local rural people cannot identify their most urgent construction priorities. Moreover, the SDF can develop a program design that enlists developing-country central and (as relevant) provincial governments on the side of empowering the rural poor to bargain more equally with local elites.

Second, the SDF can command sufficient food and dollar resources to support a public works experiment of significant scale. As a new agency with a fresh approach, SDF's initiative will be unabashedly experimental. Indeed, it can support a number of different experiments simultaneously from which lessons can be drawn. Its successes should be widely replicable.

Third, the SDF experimentation in this arena, like all its activities, will be explicitly and closely evaluated. Ongoing assessments and intermittent evaluations will provide quicker and fuller feedback than is often the norm in development programs.

Finally, a rural public works initiative plays to the SDF's comparative advantages. The SDF is by design a wholesaler of resources that enlists a diversity of established “retailers” in implementing its selected missions. The program outlined here fits this model precisely.

An SDF rural employment initiative would surely have a pro-environment bias and give equal priority to women's participation. However, it is

important to underscore that the principal distinction and appeal of an SDF initiative in this area is that it would not try to prejudge local assessments of need. The content of the initiative is therefore described in terms of guidelines and modalities rather than precise details.

Having decided on the initiative, the SDF should invite a group of sizable institutions with strong rural development experience, such as the U.S. Agency for International Development, the World Bank, the regional banks, the International Fund for Agricultural Development, the United Nations Development Program, and larger nongovernmental organizations, to propose locally run nonagricultural rural employment projects for particular localities of particular countries. In applying, would-be contractors should:

- demonstrate knowledge of employment conditions in the project area as well as the readiness of both local public bodies and the country's provincial and/or national governments to join in a decentralized employment project;
- procure commitments of matching financial inputs from local and higher authorities;
- define the boundaries of the substantive autonomy to be left to local authorities (among other things, they should have access to engineering and other technical expertise; the assets created should

be reasonably durable; and there should be provisions for recurrent costs and cost recovery, if the assets benefit mainly particular private accounts); and

- target the poor by requiring 1) that the unskilled labor payroll be an adequately high fraction of total costs, and 2) that the unskilled wage rate be sufficiently low to keep the work from "leaking" to better-off workers.

To keep the works projects from being too small to be useful models, no single local component of an SDF-supported experiment should generate less than 500,000 person-days annually. The experiments usually should run for at least five years. The initial period of experimentation might involve an average of five projects (involving sets or clusters of local components) that would generate a total of 50 million person-days of employment annually. With the United States providing half the project costs, in either dollars or food, the annual foreign assistance requirement might be on the order of \$100 million or \$500 million over a five-year period.

Once some clear lessons for success are drawn, the effort should be expanded. The fraction, if any, of the American contribution provided as food aid should be carefully calculated not to have an adverse effect on local agricultural incentives.

Increasing Developing-Country Agricultural Productivity

by John W. Mellor

Accelerated, sustainable growth in the agricultural sector of developing countries offers one of the most promising avenues to development, particularly in the poor countries. It also is of significant direct and indirect interest to the United States.

The Role of Agriculture in Stimulating Development

Population in the rural areas of the developing world is growing rapidly, typically at rates of 2 to 3 percent. As the rural poor try to wrest a living from depleting soils with inadequate technology and inputs, they inevitably push into areas unsuitable to arable agriculture. In the process, they are destroying perennial trees (in the humid tropics) and grasses (in the arid tropics) at unprecedented rates. To survive today, the poor are degrading the resource base on which their futures and their children's futures depend.⁵⁵

Growth in agricultural production offers the best means of interrupting this vicious cycle of poverty and environmental degradation. It is not only the means to feed a growing population but also the key to increasing the incomes of the rural poor.

Future global food needs are staggering. Under the most optimistic population projections, world population growth will stabilize during the first half of the next century at somewhat less than double the current population (see Sharon L. Camp in this volume for a discussion on population). If people in developing countries consume 50 percent more calories and have a healthier fat and protein intake than currently, food production will need to increase to three times the present per capita level. With some 20 percent less arable land available because of

environmental degradation, productivity on the remaining land will have to increase nearly four-fold. This will require major scientific advances and highly intensive agriculture where it is suitable.

In poor countries, an increase of two percentage points in the agricultural growth rate would add three percentage points to the nonagricultural growth rate and over two and one-half percentage points to the overall growth rate. It would more than double the rate of growth in per capita income, rapidly reduce the number of people living in absolute poverty, and result in real wage increases and employment opportunities for rural nonagricultural labor.

Increased agricultural production would provide the stimulus to create employment in market towns within successful agricultural areas throughout the country, thereby reducing migration to already crowded capital cities, too often the only alternative to staying in the rural areas. Growth in the nonagricultural sector, in turn, would reduce population pressure on the most fragile land resources, thus reversing the current destructive damage to the environment in poor countries. (See John P. Lewis in this volume for a discussion on increasing rural nonagricultural employment.)

The effectiveness of growth in agricultural production as a stimulus to economic growth is demonstrated by the experience of a number of successful countries that have achieved agricultural growth rates of 4 to 6 percent (in contrast to the 2 to 3 percent that is the norm). In the five most agriculturally successful states in India (Punjab, Haryana, Andhra Pradesh, Gujarat, and Maharashtra), for example, the proportion of the rural poor living in absolute poverty declined by half during the period of high agricultural growth between 1963 and 1983. Indonesia and Thailand had similar experiences.

In most other Asian and Latin American countries, basic food staple production has grown more rapidly than population over the past few decades, although only a few have achieved agricultural growth rates of 4 to 6 percent. In Africa, in contrast, even basic food staple production has declined in most countries since the late 1970s, resulting in economic stagnation and massive migration of the rural population to capital city slums. Misguided development strategies and ineffective policies on the part of governments and donors have resulted in little or no agricultural growth.

An agricultural strategy is most urgently needed in the low-income countries, where agriculture dominates the economy and employment. (In high-income countries, and even in middle-income countries, the relative size of the agricultural sector declines, even while its absolute size may continue to increase.) Because the agricultural sector is so dominant, however, it can only act as a stimulus to overall development if the bulk of the sector is developed.

To be successful, an agricultural strategy requires immense resources, most of which must come from the country itself. Foreign assistance can only supplement domestic expenditures and can only be effective if it is part of a broad-based comprehensive strategy. Indeed, a successful agricultural initiative must be conducted in a partnership that involves the country and numerous donors. Moreover, each donor must provide the assistance that is congruent with its own comparative advantages.

The U.S. Interest in Developing-Country Agriculture

Americans have long demonstrated concern and generosity in response to the periodic famines that result when weather fluctuations threaten not only the livelihoods but also the very lives of people living close to the margin. But in many countries poverty and food insecurity are ongoing issues requiring permanent solutions rather than temporary redress. Agricultural development offers the surest means of directly and indirectly providing the incomes that people need to live secure lives even when threatened by difficult conditions.

A successful agricultural strategy will contribute to the spread of private enterprise and democracy. Agricultural growth in scattered geographic areas, with widely varying ecological conditions, requires the adaptability of free markets, the resourcefulness of private entrepreneurs, strengthened local government, and broad participation by those affected.

Sustainable agricultural development is also essential to halting environmental degradation. In poor countries, the most acute environmental problems are those associated with poverty in rural areas. Expanding nonagricultural opportunities in rural areas and intensifying the use of less fragile lands can help relieve pressure on areas unsuitable for arable agriculture.

Finally, American agriculture benefits from agricultural development in developing countries. Developing countries account for half the world's cereal imports and are the only significantly growing market for U.S. cereal exports. Europe long ago ceased to be a growing market, and the Commonwealth of Independent States is not likely to become a larger market for U.S. agricultural exports

than it already is. What drives U.S. cereal exports is the demand for feed for a rapidly growing livestock industry in more prosperous developing countries.

An SDF Agricultural Initiative

Accelerated agricultural growth has five prerequisites: 1) a strategic concept of how to pursue agricultural development in ways that pull most of the population into the process; 2) favorable macro-public expenditure and sectoral policies; 3) institutional systems in the public and private sectors for generating and applying improved technologies in ways that sustainably accelerate agricultural growth; 4) massive investment in the rural physical infrastructure (roads, electrification, telephone); and 5) rapid growth in rural education for both girls and boys to prepare for more efficient production and consumption. Strong local governments, decentralized decisionmaking, and broad participation help raise and administer the needed resources for infrastructure and education; widely varying conditions require fine-tuning at the local level and locally provided resources.

The needs are great and extend well beyond the agricultural sector. Each donor must define those areas in which it has comparative advantages and which relate particularly closely to its interests and objectives. Multilateral institutions, for example, are perhaps best at providing support for major policy changes and for large-scale infrastructure projects. The United States, on the other hand, has particular advantages in five areas: 1) building institutional capacity for strategic planning and policy, 2) promoting technological change in agriculture, 3) fostering the private sector, 4) building rural local government, and 5) developing the livestock sector.

The United States should emphasize technical assistance and matching grants. By concentrating its assistance in this way, it can achieve economies of scale. The approach proposed turns back to the steady processes of institutional growth that got such then "hopeless" cases as Taiwan, Malaysia, and Indonesia on the path of sustainable growth and rapid decline in absolute poverty.

BUILDING CAPACITY FOR PLANNING AND POLICYMAKING

In both the private and the public sectors, the United States has the capacity for strategic thinking about development, agriculture's role in development, and institution building. The U.S. Agency for International Development (USAID), the Department of Agriculture, land grant colleges and universities, and private industry all have extensive experience in capacity building. The SDF should promote partnerships between these institutions and developing-country governments to build capacity for thinking about strategic development. Appropriate developing-country agencies include the ministries of agriculture, finance, or planning, the office of the president, and the central bank.

PROMOTING TECHNOLOGICAL CHANGE IN AGRICULTURE

Improved technology is the foundation of accelerated agricultural growth. The already immense pressures on available arable land mean that agriculture can no longer grow through expanded land area, making higher yields essential. Low initial yields in most developing countries mean there is considerable scope for adaptive research.

The highly adverse environmental consequences of poverty on land resources in poor countries mean that technological change must take place in ways that promote sustainability and preserve the environment. In the course of solving environmental problems associated with poverty, population pressure, and fragile land resources, technological advancements must not create new environmental problems.

In most developing countries, women play a central role in agricultural production. In parts of East Africa, for example, women raise 60 to 80 percent of the food for the family. In some countries, from one-third to one-half of rural households are at any one time headed by women.⁵⁶ To be effective, technological change must include women not only at the farm level but also at policy levels as well.

The United States has an immense comparative advantage in providing the institutional basis for developing new technologies and a distinguished record of assisting countries in building the key institutions of agricultural growth. The SDF should utilize this expertise to help developing countries build the institutional capacity to develop the technologies appropriate to their own conditions. To succeed, developing countries must have research capabilities as well as broad-based extension systems to help farmers implement research results in their own environmental contexts.

The SDF can support the creation of effective agricultural research and extension systems, rural credit institutions, and educational programs to assist small private businesses.

FOSTERING THE PRIVATE SECTOR

The private sector is critical for seed production, fertilizer distribution, marketing, and other activities related to the agricultural sector, as well as for the growth of small industries serving rural people. However, the private sector is still quite small in most poor countries and needs public support in the form of infrastructure, finance, and technical assistance.

There is greater scope now for private sector activity than in the past. For example, advances in genetics and legal systems encourage private firms to engage in agricultural research, thereby expanding the supply of new technology. The SDF should provide technical assistance in support of the private sector in rural areas. Sample projects include:

- promoting partnerships between appropriate private sector associations in the United States and nascent similar organizations in developing countries to assist developing-country institutions through personnel exchanges, training programs, and advice in strategic planning;
- providing assistance to developing-country firms that provide public goods at lower cost than public institutions but that cannot exact sufficient payment for the service (e.g., research in areas not patentable);
- promoting partnerships among developing-country nongovernmental organizations (NGOs), U.S. NGOs, and local governments to conduct the research and extension activities to adapt technologies to local conditions; and
- promoting partnerships between American and developing-country universities or institutes to build analytic and training capacity by developing short courses related to small-and medium-scale rural private enterprises.

BUILDING RURAL LOCAL GOVERNMENT

The roots of democratization lie in bringing people into the political process, first at the local level. In poor countries, this necessarily means the rural local level. The United States has a distinguished tradition of rural local government and substantial resources that could be mobilized to assist developing countries in this area.

Since developing countries generally have no recent history of local government, resistance from national authorities is likely to be immense, particularly from apparently democratic national governments. Strong local governments would constitute new power bases, threatening to predominantly urban-based political systems. To be effective, U.S. assistance should be conditioned on national efforts to promote and support local government. Two other forms of conditioning should be applied as well: the inclusion of women in the democratic process and protection of the environment in infrastructure projects undertaken by local governments.

Sample projects in an SDF program to foster local government include:

- promoting partnerships between U.S. and developing-country local government associations to support an institute to provide analysis, short courses, and other forms of training to local officials to enhance gradually their capacity to govern; and
- matching grant programs for rural infrastructure and the environment. For example, a matching grant program to put all villages in developing countries on an all-weather road within 10 years could cost as much as \$20 billion per year, of which the United States share might be \$1.5 billion. Similarly, the U.S. share of a program to protect the environment could require another \$1

billion annually from the United States—for a total of \$2.5 billion in matching grants.

DEVELOPING THE LIVESTOCK SECTOR

The livestock sector represents 15 to 40 percent of the agricultural sector in most developing countries. It has greater potential for rapid growth than the crop sector when effective demand is growing rapidly, is particularly important to the incomes of the rural poor, and offers significant opportunities for expanded private sector activity. From a U.S. perspective, growth in the livestock sector would inevitably entail increased agricultural imports from the United States in the form of feed. Developing countries with rapidly rising incomes expand livestock consumption so rapidly that their own feed production cannot keep pace.

The negative environmental aspects of livestock lie with opening up previously largely unpopulated forest areas to excessively dense livestock production on inappropriate soils. However, properly managed, livestock production contributes strongly to sustainability. It is generally labor intensive and complements sustainable crop production with the use of perennial grasses and legumes as well as organic manures badly needed in tropical and semitropical countries with low organic content in the soils.

Assistance to the livestock sector would require increased institutional capacity for designing policies to promote livestock production and consumption, increased research and marketing capacities, and greater private sector involvement in marketing and processing—all areas in which the United States has enormous comparative advantage. Sample projects include:

- promoting partnerships between U.S.

universities, research institutions, or trade associations and similar developing-country institutions to build policy, research, marketing, analysis, and other skills;

- promoting greater private sector involvement through training and personnel exchanges; and
- assisting the development of small-scale feed-mixing plants.

COST OF THE PROPOSED PROGRAM

The total annual cost of the five programmatic emphases could be as high as \$4.15 billion, depending on how many countries are targeted. Of that amount, \$1.5 billion represents technical assistance to the agricultural sector as narrowly defined. This is roughly 50 percent more than present levels of U.S. development assistance to agriculture. A further \$0.15 billion is for technical assistance to development of local government, and \$2.5 billion is for matching grants to local governments for rural development more broadly defined (e.g., road construction, environmental protection).

MONITORING AND EVALUATION

Large-scale programs of this nature must be carefully monitored and evaluated not only to judge success but also to make program adjustments to achieve greater effectiveness and to ensure against environmental degradation. The monitoring and evaluation should be carried out by developing-country institutions; technical assistance for that purpose should be provided by donors.

Agricultural development objectives should be monitored over a five- to ten-year period, the minimum time necessary to gauge changes in trends

apart from weather fluctuations. Within five years, measurable results should be evident in the agricultural growth rate, real rural wage increases, and decreases in absolute poverty.

In the more advanced countries of Asia, success should be measured in terms of diversification toward higher value crops and livestock. Since increased animal feed consumption is likely to exceed domestic capacity and increased developing-country imports benefit the United States, the United States should also measure increased imports. Additional measures include enhanced democratization and growth in private enterprise.

In Africa, where conditions must first be made favorable to agricultural improvement, success should initially be measured in terms of increased and improved inputs into the agricultural process and then in terms of simple output growth rates.

Agriculture a Shared Concern

A renewed commitment to agricultural development can advance a range of U.S. interests while demonstrating common purpose with developing countries. A quarter of an enlarged foreign assistance commitment should be allocated to providing technical assistance to the agricultural sector specifically; the remainder should support related rural development activities and projects that are essential to meshing agricultural development and U.S. interests.

A New World Health Order

by Lincoln C. Chen

This century has witnessed unparalleled improvements in health worldwide. The capacity to control disease, reduce human suffering, and increase longevity is an unprecedented human achievement. Today, more than one-fifth of the world's population enjoys an average life expectancy of nearly 80 years and a life comparatively free of disability. Yet health progress has been uneven, with many populations, especially in developing countries, continuing to suffer and die from preventable or treatable diseases. One-third of the world's people—those living in the poorest countries of Africa, Asia, and Latin America—suffer the overwhelming majority of the world's avoidable illness and premature death.⁵⁷

Promoting good health is a critical element of development. Good health is not only an outcome of, but also an engine for, sustainable development. Investments in health can build human capital that, like new roads and bridges, can generate high socioeconomic returns. In contrast to physical infrastructure, however, investments in human development may not depreciate rapidly and may be transmitted from parents to children, thus lasting well into future generations.⁵⁸

The United States has an important interest in advancing health around the world. U.S. assistance in health traditionally has been regarded as a matter of charity; the moral imperative to relieve human suffering is part of the American ethos. But in an increasingly interdependent world, advancing world health not only helps others but also protects our own health. Just as joint action against commonly shared problems eradicated smallpox, the global campaign against AIDS and efforts to clean up polluted air and water may eventually win us significant mutual health benefits.

Current U.S. Support for Developing-Country Health

In 1991, the United States provided \$485 million in bilateral health assistance; this represented 7 percent of the total bilateral assistance budget.⁵⁹ Although comparatively small, U.S. health assistance has a good track record of high returns for modest investment, is well received in developing countries, and is supported by the American public and policymakers. Current health assistance addresses child survival, policy development, and high-priority health problems such as AIDS, tropical diseases, and diarrheal diseases.

A carefully crafted and well-targeted U.S. health initiative could accelerate the effectiveness and efficiency of U.S. health assistance. An enriched and expanded U.S. health program should build on current activities by introducing more flexibility and innovation, strengthening local capacity, and harnessing comparative American assets. The lessons learned in health could be relevant transnationally. International health can be a "positive-sum" game, and advances could be shared across national boundaries, thereby contributing to health advancement in developed as well as developing countries.

This approach has several advantages. First, the research capacity of the United States in science, technology, biomedicine, and public health can help tackle important but neglected world health problems, and U.S. nongovernmental organizations and private and corporate philanthropy have important roles to play in the process. Second, health problems in the United States—such as AIDS, escalating health care costs, and the health crisis of inner cities—can be guided by lessons learned

elsewhere; some world health problems (such as AIDS) depend on global solutions, and the health care systems in many other countries have been able to attain far greater health impacts at much lower costs than systems in the United States. Finally, the health field offers potential opportunities for multilateral cooperation and fiscal burden sharing; European countries already devote significant shares of their development assistance to health, and Japan has pledged that health will be accorded high priority in its rapidly growing foreign assistance program.⁶⁰

An SDF Health Program

The goals of an SDF health program should be to reduce global disparities in health while simultaneously advancing health for all people around the world. A "new world health order" is both morally desirable and practically attainable; it carries forward the "health for all" ideals of the primary health care movement begun in the late 1970s.

Achieving these goals requires a two-pronged approach of 1) promoting health equity worldwide by improving health among the most disadvantaged in developing countries, and 2) advancing the frontiers of health for all by addressing commonly shared global health problems. Within each of these areas, many specific programs are possible. Several are outlined here in which opportunities are great and the United States has comparative advantage as well as special interests.

The SDF health program should provide flexible yet sustained support for the most promising activities on a competitive basis. With strong political commitment and modest financial

resources, these achievable programs will help build the capacity of developing countries to address their own health problems, while generating significant health benefits for people in developing countries and the United States.

PROMOTING HEALTH EQUITY

Three illustrative programs are proposed to promote global health equity. Together they provide the beginning of a "global health safety net" to ensure a minimal standard of health for all.

Responding to Human Survival Crises. A major disaster takes place every week somewhere in the world. Natural disasters can be classified according to the following causes: *natural* (cyclone and earthquake), *environmental* (drought and flooding), and *technological* (e.g., Bhopal and Chernobyl). The annual toll of such disasters has been estimated to be 250,000 lives lost and \$4 billion in physical damages.⁶¹

Wars and conflicts cause additional humanitarian tragedies. More than 100 conflicts since the end of World War II have claimed more than 20 million lives and resulted in more than 60 million people wounded, imprisoned, or displaced.⁶² Crises and conflicts force people to leave their homes and abandon their livelihoods. At least 40 million people (one out of every 135 world inhabitants) were either refugees or displaced within their own countries in 1991⁶³; this is approximately equivalent to the entire population of Spain or Zaire.

No society is entirely immune from disasters. Most contemporary crises, however, take place in developing countries because of pre-existing conditions and weak response capacities. Human survival crises in Africa, Asia, and Latin America are not simply isolated humanitarian matters but are

directly linked to international peace and security, human rights, and sustainable development issues.

U.S. assistance for human survival in the midst of disasters, both natural and man-made, is woefully inadequate in resources and management. Responsibility is bifurcated between the Department of State and the U.S. Agency for International Development. These agencies mix geopolitical with humanitarian purposes, are bureaucratically encumbered, and suffer from chronic underfunding. Moreover, U.S. participation in multilateral disaster response has been disappointingly modest, especially given broad-based American public support for such assistance.⁶⁴ Perhaps the best American contributions have come from nongovernmental organizations that combine practical interventions based on mixed funding from government and the public.

An SDF program to address health emergencies arising from disasters around the world should promote U.S. participation in multilateral assistance efforts, reassert U.S. humanitarian ideals, and improve aid efficiency and effectiveness. This will require not only more resources but also policy and organizational reform.

Child Health: Finishing the Revolution. The international child survival initiative represents one of the most visible and dramatic development success stories of the past decade. Child survival efforts (in which USAID has been a leader, investing more than \$1.2 billion since 1985) undoubtedly have saved the lives of many children through extending immunization coverage for the major communicable diseases of childhood and through mass dissemination of oral rehydration therapy to prevent dehydration from diarrheal disease.

The task is unfinished, however. Some 13 million children under five years of age still die each

year, and more than one-third of the developing world's children (excluding China) are malnourished.⁶⁵ Malnutrition due to hunger and infections is estimated to be a contributing cause in approximately one-third of child deaths.⁶⁶ Many children also do not have adequate opportunities for education and for a healthy social and physical environment.

The next phase of the child health revolution should focus on the *quality* of children's lives rather than merely their survival. Meeting this challenge will require both shifts in strategies and additional resources. It will require not only expanding and improving child health services but also giving children the opportunity to grow and develop, to attend school, to enjoy a safe physical environment, and to be nurtured and socialized into productive contributors to society. Completing the child health revolution is one of the most urgent, and achievable, health challenges of the coming decade.

In September 1990, at the World Summit for Children, representatives from 159 countries, including more than 70 national leaders, made a commitment to a comprehensive program to ensure that all children have adequate food, clean water, basic health care, and primary education. An SDF program on children's health should support the implementation of the summit agreement in partnership with other donor countries and the developing countries themselves.

Women's Reproductive Health. Women's lives in many developing countries are characterized by early marriage, frequent and closely spaced births, and lack of access to appropriate health, nutrition, and contraceptive services. Carrying a triple burden of work, reproduction, and home care, women around the world suffer unusually high health hazards, especially health risks associated with reproduction.

In developing countries, the maternal death rate is 10 times higher than in developed countries (290 vs. 24 maternal deaths per 100,000 live births).⁶⁷ An estimated 500,000 women die each year in developing countries due to lack of prenatal care and inaccessible birthing facilities. Approximately 300 million couples in developing countries lack access to safe and effective contraception (see Sharon L. Camp on population in this volume). Malnutrition, especially iron deficiency anemia and maternal depletion syndrome resulting from the nutritional drain of frequent and closely spaced births, affects large numbers of women throughout the developing world.

Women in developing countries suffer much higher rates of reproductive tract infections than women in developed countries; these include infections related to inadequate health services, endogenous infections, and sexually transmitted diseases (STDs) such as gonorrhea, syphilis, and chlamydia. Some 250 million STD infections occur annually.⁶⁸ In addition to causing many other problems, STDs facilitate the spread of the human immunodeficiency virus (HIV) that causes AIDS.

Women's health problems have devastating human and societal impact. Individual sequelae include maternal and child infection, ectopic pregnancy, cervical cancer, infertility, chronic pain, emotional distress, and in many communities social rejection. These problems strain already overburdened health systems and threaten to undermine maternal-child health and family planning services.⁶⁹

Cost-effective strategies to address women's reproductive health have already been well demonstrated by pilot programs, often under the control of, and with the participation of, women themselves. An SDF program on women's reproductive health should provide the investments

needed to take these successful experiments into large-scale, sustainable programs. It should also give political and program priority to the silent and neglected problem of reproductive tract infections.

Women's reproductive health activities should offer women safe birthing practices, choice of an array of safe and effective contraceptives, maternal and child health and nutritional services, and prevention and control of reproductive tract infections. These need not be separate, parallel programs; rather they should be integrated into existing maternal-child health, family planning, primary health care, health education, and HIV/AIDS control programs.

Because women's health programs reflect gender-biased developments across sectors, a program focused on women's reproductive health must be accompanied by parallel efforts to advance female primary education, women's status and remunerative work opportunities, and women's political participation and rights. Health initiatives should be seen as one component of a broader development effort aimed at advancing women.

SOLVING SHARED HEALTH PROBLEMS

Solving shared health problems can advance health in developing countries while at the same time enhancing health protection in the United States. The three illustrative programs outlined here would further the health of all citizens in an increasingly interdependent world.

Controlling Tuberculosis. A disease once considered nearly eradicated in the United States, tuberculosis has always been a major killer in developing countries and is now resurging in many developed countries because of its interaction with

HIV and increased immigration. Some 8 million TB cases occur worldwide every year, resulting in 3 million deaths. More than three-quarters of all TB cases are among working age people, making TB a devastating family tragedy as well as a drain on a country's economy.⁷⁰

The risk factors for TB of poverty, malnutrition, and overcrowded living conditions are found in all countries; alcoholism and drug abuse compound the threat in industrial countries. The incidence of TB has increased as much as 35 percent in some U.S. cities,⁷¹ and minorities account for nearly two-thirds of TB cases in the United States.⁷² Recently, tubercule strains resistant to commonly effective antibiotics have emerged.

Already known strategies to prevent and cure tuberculosis—immunization with the BCG vaccine and use of available drugs for those who contract TB—are among the most cost effective available for any disease.⁷³ The World Health Organization has set targets for the prevention, detection, and treatment of TB. The biggest barriers to successful address of these targets are the lack of public awareness and political will and inadequate information about how to apply known strategies most effectively in specific national settings.

An SDF TB program should increase public awareness, expand immunization coverage, implement known treatments, and reinvigorate research. "Orphaned" by the industrial-country research establishment for decades, TB research is badly needed to improve and simplify diagnostic tests; to develop drugs that are less expensive and overcome drug resistance; to discover a longer-lasting vaccine; to strengthen client behavior in drug-taking over extended time periods; and to improve the design, management, and affordability of control programs. This kind of research will have immediate benefits in the United States as well as in developing countries.

Preempting Unforeseen Health Threats. The worldwide AIDS pandemic is a stark reminder that the human species co-exists with unknown viruses, bacteria, parasites, and other potential pathogens. Like HIV, these pathogens could erupt anywhere at any time, disturbing our complacency about current scientific and technological capacity to control infectious diseases. The rapid spread of cholera and dengue hemorrhagic fever in Latin America are other examples of known pathogens reemerging in recent times to threaten developed as well as developing countries.

The rapid pace of environmental and socioeconomic change, along with 50 million international travelers throughout the world, provide fertile opportunity for the emergence of new infectious diseases. Pathogens that might have remained localized in earlier times now have the potential to spread rapidly and often silently, generating global epidemics.

The SDF should support initiatives to build capacity around the world for the early detection, diagnosis, and development of appropriate preventive and therapeutic strategies against such unforeseen health threats. Just as the Center for Disease Control in the United States was able to diagnose and respond rapidly to the unanticipated emergence of AIDS, Legionnaire's disease, and toxic shock syndrome, a network of internationally supported surveillance centers should be established to interdict new threats. In perhaps a dozen developing countries, research centers should be established to provide clinical services, diagnostic laboratories, epidemiologic intelligence units, and research and training units for the surveillance and control of newly emerging, unidentified pathogens.⁷⁴

Essential National Health Research. Health research serves four important functions; it identifies

and prioritizes health problems, informs and accelerates health strategies for action, generates new and powerful technologies and tools against disease, and advances the frontiers of knowledge. Health research is a powerful tool to address the health problems illustrated in this chapter.

Even more than a lack of funds, developing countries suffer from a scarcity of research capacity to pursue cost-effective strategies for their own health problems. Of the \$30 billion invested in health research annually, only 5 percent is targeted at the health problems specific to developing countries, which experience 93 percent of the world's burden of preventable mortality (measured as years of potential life lost).⁷⁵

A recent independent international Commission on Health Research for Development recommended that every country, no matter how poor, build the capacity for "essential national health research." The objective of such research should be twofold: to design and evaluate health actions for dealing with country-specific health problems and to join in international efforts to find solutions to global health problems of concern to all countries.⁷⁶

An SDF program in this area should foster local capacity and innovation by providing financial and technical support for research on developing-country health problems by scientists in these countries. Moreover, research support should foster linkages between the knowledge producers and the users of information for policy development and program actions. Such linkages will help ensure that the power of knowledge is more effectively tapped to 1) address health problems for which solutions are known but ineffectively applied and 2) identify and manage problems for which no solutions are currently known.

Budget

The 1991 level of \$485 million in bilateral health assistance should be doubled to approximately \$1.0 billion annually. Such a substantial increase in U.S. health assistance would have a significant direct impact and would leverage additional resources from other donors and developing countries themselves.

The expanded budget would allow for modest expansion of important ongoing health programs, such as HIV/AIDS control, even as the SDF promotes fresh initiatives. The additional \$500 million should be allocated in the following way:

- \$75 million to increase health assistance in times of disasters, especially through multilateral and nongovernmental mechanisms;
- \$100 million to re-orient and strengthen the quality and scope of children's health programs;
- \$100 million to strengthen and expand women's health programs, with a particular focus on efforts to prevent and control reproductive tract infections⁷⁷;
- \$50 million for TB control, half for research and half for direct action (this could help leverage the rest of the \$135 million needed from external sources to greatly accelerate TB control throughout the developing world)⁷⁸;
- \$75 million toward the creation of a worldwide network of disease surveillance; prevention; and treatment, research, and education centers; and
- \$100 million for strengthening essential national health research capacity to foster innovation and solutions to old and new problems.

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⁷¹ *The New York Times*, July 16, 1990.

⁷² U.S. Department of Health and Human Services, *Healthy People 2000: National Health Promotion and Disease Prevention Objectives*, Conference Edition (September 1990), p. 414.

⁷³ *Health Research: Essential Link to Equity in Development*, op. cit., pp. 29 and 30.

⁷⁴ Donald A. Henderson, "Surveillance Systems and Intergovernmental Cooperation," in Stephen S. Morse (ed.), *Emerging Viruses* (New York: Oxford University Press, 1992) (in press).

⁷⁵ *Health Research: Essential Link to Equity in Development*, op. cit., pp. 29 and 30.

⁷⁶ *Health Research: Essential Link to Equity in Development*, op. cit., pp. 20–23.

⁷⁷ Women's health programs must additionally include access to fertility control and contraception. See recommendations in Sharon L. Camp in this volume.

⁷⁸ Christopher Murray, Harvard University, personal communication, March 1992.

About the ODC

The Overseas Development Council's programs focus on U.S. relations with developing countries in five broad policy areas: U.S. foreign policy and developing countries in a post-Cold War era; international finance and easing the debt crisis; international trade beyond the Uruguay Round; development strategies and development cooperation; and environment and development.

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Stephen J. Friedman is the Chairman of the Overseas Development Council, and John W. Sewell is the Council's President.

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